



*Report of the Military Compensation and
Retirement Modernization Commission*

INTERIM REPORT

June 2014



MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

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CHAIRMAN'S LETTER

For over a decade, our men and women in uniform have participated in one of the most extraordinary chapters of service in the history of our Nation. ...They come from all walks of life and all stations; Active, Reserve, and National Guard; serving together to protect our people, while giving others a chance to lead a better life. We owe each and every one of them and their families a tremendous debt of gratitude for their sacrifice, service, and patriotism.

Our Nation requires a strong military for our security and for the defense of American values and principles abroad. While we have successfully transitioned from a conscripted force to an All-Volunteer Force, sustaining this force requires responsive and prudent management, especially given the fiscal challenges we face as a Nation.

The President's Principles for Modernizing the
Military Compensation and Retirement System, 2013

The Congress created the Military Compensation and Retirement Modernization Commission to conduct an independent, comprehensive review of military compensation and benefit programs and to make recommendations for their modernization. With the President's principles and the Congress's mandate as keystones, the Commission's primary goal is to ensure the uniformed services can maintain the most professional All-Volunteer Force, during both peacetime and wartime. The Commission believes that, to do so, any modernization recommendations must protect the overall value of the current benefits package and the quality of life of the 21st century force—those who serve, those who have served, and the families who have supported them. In fact, the Congress stipulated that the Commission's recommendations cannot affect the retirement eligibility date or the amount of retirement pay to the detriment of Service members serving, or who have retired, before such recommendations are enacted.

During its discovery phase, the Commission benefitted immeasurably from engagements with Service members, veterans, retirees, and their family members. Additionally, representatives of the uniformed services, Military and Veterans Service Organizations, and other subject-matter experts have greatly assisted the Commission by facilitating its understanding of the breadth of current military compensation and benefit programs. The Commission's efforts to date have reinforced what it always has known: *Our people are the strength of our uniformed services.*

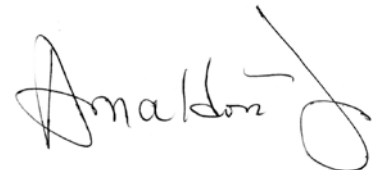
The Commission also understands that the uniformed services must have modern and relevant compensation tools to continue to recruit and retain the high-quality men and women needed to protect and defend our Nation into the future. The Commissioners recognize the profound and constant change that has affected our Nation since the inception of the All-Volunteer Force. Yet, today's military compensation and benefit programs comprise a series of piecemeal programs. Some of these programs are decades old, while others were conceived to address short-term, force-shaping requirements. The Commission will review these compensation programs to determine if they are designed to keep pace with changes in our society, the uniformed services,

the preferences of Service members, and the priorities of upcoming generations. Similarly, the uniformed services must be empowered with flexible personnel management tools to shape the force as security needs change. The Commission envisions this modernization as creating substantial opportunities to improve the flexibility and overall cost effectiveness of military compensation.

Accordingly, the Commission's fundamental objective is to forge integrated and flexible compensation and personnel management systems that will continue to be valued by Service members. In taking this long-term view, the Commission also recognizes that our Nation's increasingly constrained fiscal environment may continue to put pressure on the budgets and compensation systems of the uniformed services.

To conduct its review and develop recommendations, the Commission has gained a thorough understanding of current compensation and benefit programs. This interim report documents the Commission's understanding of the entirety of current military compensation and benefit programs; relevant laws, regulations, and policies; associated appropriated Federal funding; and historical and contextual background for the uniformed services' compensation and benefit programs across the Federal Government. It is the Commission's hope that this interim report will serve as a comprehensive resource tool and compendium for all those with an interest in military compensation issues. In cataloging what "is," this interim report sets the stage for the detailed analysis that will fuel the Commission's recommendations for compensation modernization, due to the President and the Congress on February 1, 2015.

The Commission wishes to thank all who have contributed to this interim report and our work to date. Our decision to release an interim report is based, in part, on our belief that our Nation will benefit from a common set of information and references to help inform the public debate. To all those Service members, retirees, and veterans on installations and in communities across the Nation and around the world: We honor your service and ask for your continued input and support as we move forward with this important endeavor.

A handwritten signature in dark ink, appearing to read "Alphonso Maldon, Jr.", with a stylized flourish at the end.

ALPHONSO MALDON, JR.
Chairman

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1. EXECUTIVE SUMMARY

Established by the Congress in February 2013, the Military Compensation and Retirement Modernization Commission is tasked to provide the President of the United States and the Congress a package of recommendations to:

- *ensure the long-term viability of the All-Volunteer Force by sustaining the required human resources of that force during all levels of conflict and economic conditions;*
- *enable the quality of life for members of the Armed Forces and the other uniformed services and their families in a manner that fosters successful recruitment, retention, and careers for members of the Armed Forces and the other uniformed services; and*
- *modernize and achieve fiscal sustainability for the compensation and retirement systems for the Armed Forces and the other uniformed services for the 21st century.¹*

With these mandates and the President's principles² as keystones, the Commission's primary goal is to ensure the uniformed services can maintain the most professional All-Volunteer Force, during both peacetime and wartime. The Commission believes that, to do so, any modernization recommendations must provide a benefits package that is valued by, and protects the quality of life of, the 21st century force—those who serve, those who have served, and the families who have supported them. In fact, the Congress stipulated that the Commission's recommendations cannot affect the retirement eligibility date or the amount of retirement pay to the detriment of Service members serving, or who have retired, before such recommendations are enacted:

(A) CONDITIONS

In developing its recommendations, the Commission shall comply with the following conditions with regard to the treatment of retired pay for members and retired members of the uniformed services who joined a uniformed service before the date of the enactment of an Act to modernize the military compensation and retirement systems:

- (i) *For members of the uniformed services as of such date, who became members before the enactment of such an Act, the monthly amount of their retired pay may not be less than they would have received under the current military compensation and retirement system, nor may the date at which they are eligible to receive their military retired pay be adjusted to the financial detriment of the member.*
- (ii) *For members of the uniformed services retired as of such date, the eligibility for and receipt of their retired pay may not be adjusted pursuant to any change made by the enactment of such an Act.*

¹ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1787 (2013) (as amended by National Defense Authorization Act for FY 2014, Pub. L. No. 113-66, Sec. 1095(b), 127 Stat. 672, 879 (2013)).

² President Barack Obama, *Principles for Modernizing the Military Compensation and Retirement Systems*, House Document 113-60, accessed April 30, 2014, <http://www.gpo.gov/fdsys/pkg/CDOC-113hdoc60/html/CDOC-113hdoc60.htm>.

(B) VOLUNTARY ELECTION EXCEPTION

Nothing in subparagraph (A) prevents a member described in such subparagraph from voluntarily electing to be covered under the provisions of an Act to modernize the military compensation and retirement systems.³

With these goals in mind, this interim report is designed to establish a common set of information and references to help inform the Commission's work and the public debate on military compensation modernization. As documented throughout this report, the Commission undertook an extensive review of relevant laws, regulations, and policies; associated appropriated Federal funding; and historical and contextual background for the uniformed services' compensation and benefit programs across the Federal Government. In addition, the Commission focused on establishing a comprehensive understanding of the composition, needs, preferences, and priorities of the Service members who are the heart of the modern All-Volunteer Force. The Commission found several trends in the Force's composition with potential implications for the design of the compensation system, particularly with a backdrop of an unprecedented 13 years of war, including:

- a sustained increase in the overall education of Service members, creating a far more professional and technologically fluent force;
- a steady rise in the number of women in the uniformed services, growing as an overall percentage of Service members in all branches;
- an increase in the number of Service members who are married and/or have dependents; and
- a marked rise in the operational use of Reserve and National Guard Service members, especially due to declining active-duty force structure and the requirements of 13 years of war.

The Commission also examined key changes in American society and culture that may have long-term consequences for the design of the military pay and benefits package. For example, the digital revolution has fundamentally altered the way Americans act in both personal and professional contexts. The Internet has transformed the way people acquire goods and services, as well as how they interact in labor markets. Other important trends include increasing levels of higher education, an evolving workforce composition, and growing worker mobility. A more informed populace now takes an increasingly proactive role in the selection and administration of the services, benefits, and programs that affect their lives. Because of these trends, issues of choice, personalization, and responsiveness, such as choice in the structure and level of alternative benefits, are increasingly important within American labor markets, from which the military necessarily draws its recruits.

³ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1787 (2013) (as amended by National Defense Authorization Act for FY 2014, Pub. L. No. 113-66, Sec. 1095(b), 127 Stat. 672, 879 (2013)).

During its discovery phase, the Commission also examined trends in Federal appropriated funding for existing compensation and benefit programs. Although the Commission found that compensation funding has increased substantially over the last two decades, as has been repeatedly reported in the national press,⁴ these simple trends need to be examined in greater detail before any conclusions can be drawn regarding fiscal sustainability. Much of this growth is attributed to inflation (particularly medical inflation),⁵ policy-driven increases in compensation to counteract recruiting and retention challenges, and personnel funding that supported 13 years of war. In addition, introduction of several new benefits for Service members and veterans contributed to growth in compensation funding. Regardless of the reasons behind this growth, military compensation funding has consistently represented roughly 30 percent of the DoD budget (with Federal civilian employee compensation representing another 15 percent).

Our Nation's ongoing fiscal difficulties, however, are expected to put more downward pressure on the uniformed services' budgets and, in turn, their compensation budgets. According to long-run forecasts of the Congressional Budget Office, demographic changes, rising health-care costs, and national net interest payments will cause mandatory and interest payments to increase steadily as a share of the gross domestic product during the next 70 years. As a result, it will be successively more difficult for the Federal Government to maintain the discretionary budgets of the uniformed services without further increasing our national debt. As lower defense spending has historically been associated with reductions in the size of the U.S. military, which places additional burdens on remaining Service members, compensation and benefits may need to adjust to changes in the quality of Service members' career experiences. Accordingly, the Commission believes that a broader discussion of Federal spending levels is a necessary element to ensure the viability of the All-Volunteer Force.

In its enabling legislation, the Commission is directed to "examine all laws, policies, and practices of the Federal Government that result in any direct payment of authorized or appropriated funds" to "current and former members (veteran and retired) of the uniformed services, including the reserve components of those services; and the spouses, family members, children, survivors, and other persons authorized to receive such payments as a result of their connection to the members of the uniformed services."⁶ The Commission therefore undertook a comprehensive review of existing compensation programs to provide all concerned with a full and nuanced understanding of the scope, quantity, and funding of current military compensation programs. The Commission focused its efforts on three overarching compensation categories:

Pays and Retirement. The Commission reviewed nearly 100 distinct compensation benefits administered by DoD and the U.S. Treasury that cover military pay, retired pay, survivor benefits, and unemployment compensation.

⁴ See, e.g., Mackenzie Eaglen and Michael O'Hanlon, "Military Entitlements Are Killing Readiness," *The Wall Street Journal*, July 25, 2013. Walter Pincus, "Personnel Costs Are a Growing Threat to Defense, Military Leaders Tell Congress," *The Washington Post*, November 13, 2013. Editorial, "Putting Military Pay on the Table," *The New York Times*, November 30, 2013.

⁵ Several operational factors lead military health care to be more costly than comparable civilian health care, including military-specific training requirements and frequent relocations of both Service members and medical personnel.

⁶ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1787 (2013) (as amended by National Defense Authorization Act for FY 2014, Pub. L. No. 113-66, Sec. 1095(b), 127 Stat. 672, 879 (2013)).

This review included 65 special and incentive pays that DoD is consolidating into eight overarching pay categories. Additionally, the Commission reviewed the Dependency and Indemnity Compensation program, a Department of Veterans Affairs program that affects Survivor Benefit Program payments. These pay and retirement programs are funded in a number of ways: fully funded by appropriated funds, partially funded (subsidized with Federal dollars), accrual funded, or pay-as-you-go programs. The Commission also reviewed programs that result in a loss of Federal tax revenue, including tax-exempt allowances.

Health Benefits. The Commission reviewed more than 40 health benefit programs administered by DoD, the Department of Veterans Affairs, and the Department of Health and Human Services for active-duty Service members; members of the Reserve Component; and retirees, veterans, and family members of the uniformed services. This review not only assessed the health care benefit itself, but also examined the ways the health care benefit is delivered. Health benefit programs reviewed range from TRICARE Prime, which is paid for entirely by the Government for active-duty Service members and eligible dependents,⁷ to fully-funded programs like TRICARE Young Adult, which is paid for by the annual premiums collected from beneficiaries.

Quality of Life Benefits. The Commission reviewed more than 200 distinct programs and benefits administered by eight separate Federal agencies in support of military, veteran, retiree, and family member quality of life. The Commission found a widely varied, but deeply interdependent, set of programs, often tied to key life events, such as marriage, childbirth, divorce, injury, health challenges, and deployment. These programs, as a whole, are used throughout the entire military lifecycle, from accession through retirement and post-separation, by all military and dependent populations. The Commission identified costs in the quality of life area that range from self-sustaining programs (fully funded by self-generated nonappropriated funds), such as the military Exchange system, to the \$10.2 billion of funds appropriated in FY 2013 for the Post-9/11 GI Bill.

To protect and defend our Nation, the uniformed services must be able to continue to recruit and retain high-quality Service members. The Commission recognizes this need can be best met by implementing modern and relevant compensation tools and flexible personnel management systems. Doing so will also improve the cost effectiveness of compensation programs, while continuing to provide benefits that meet the needs of those who serve. Toward these ends, this interim report details current benefit programs and provides a foundation for the Commission's recommendations for modernization, which are due to the President and the Congress on February 1, 2015.

⁷ TRICARE Prime is primarily subsidized by the Government for eligible retiree annuitants and dependents, who pay limited annual fees.

2. CONTEXT FOR MODERNIZATION

Despite significant demographic, cultural, and economic changes that have occurred in the United States since the inception of the modern All-Volunteer Force in 1973, many parts of the uniformed services' compensation package have remained largely unchanged for decades. Today's Force is, in many respects, very different from the one for which many pay and benefit programs were developed and implemented. Consequently, compensation programs may no longer be structured in ways that cost-effectively align with the interests and motivations of today's current and potential Service members. Furthermore, military compensation and personnel management systems may not provide the best tools for the uniformed services to meet their recruiting and retention goals. While the full breadth of pay and benefit programs are documented later in this report, this section serves to highlight key, overarching trends within the Force itself and in the broader environment in which the compensation system operates. These trends provide necessary context and understanding, informing the Commission's continued research into specific compensation programs, and the formation of its recommendations for modernized military compensation.

A key backdrop for this Commission's work is the recognition that the current compensation system has sustained the All-Volunteer Force through 13 years of continual war. In the last 13 years, many Service members faced multiple, lengthy deployments, sometimes for more than a year at a time. Service members adapted to the challenges of a new style of warfare focused on counter-insurgency operations, often in harsh conditions. In addition, families of Service members experienced the unique demands of prolonged and often repeated deployments.

Service members experienced many hardships and challenges during Operation ENDURING FREEDOM (Afghanistan) and Operation IRAQI FREEDOM (Iraq). During this period, the military compensation system enabled national leaders to meet U.S. security needs without having to abandon the concept of an All-Volunteer Force. For example, when circumstances persuaded then-Secretary of Defense Robert Gates to extend Army deployments to 15 months in 2007, DoD compensated soldiers for the extra time, providing an additional \$1,000 in tax-free compensation for every month of deployment beyond a year. Secretary Gates recognized that although the war had stretched the Services, it had by no means broken them, as the Army and Marines continued to meet their recruiting and retention goals.¹

The question facing this Commission therefore is not "Can the compensation system be made to work?" but "Can it be made to work better?" Does the system continue to provide benefits that are the most valued by Service members? Can it be better aligned with Service-member preferences, thereby improving their quality of life? Can we make the system more flexible, both for Service members and the uniformed services

¹ DoD News Briefing with Secretary Gates and General Pace from the Pentagon, Presenters: Secretary of Defense Robert Gates and Chairman, Joint Chiefs of Staff Gen. Peter Pace, April 11, 2007.

responsible for recruiting and retaining highly skilled personnel? Can we provide benefits in a more cost-effective manner, thereby reducing the Services' pressure to reduce compensation funding? These questions will guide this Commission's continuing work and the development of its recommendations for modernization to the President and the Congress in February 2015.

CHANGES IN THE FORCE

The modern All-Volunteer Force was born in 1973, following the work of the 1969 President's Commission on an All-Volunteer Armed Force. That Commission concluded that our Nation's interests would be served better by an all-volunteer force than by a combination of volunteers and conscripts. It found that if the system raised entry-level pay, expanded its recruiting organization, and improved the conditions of service life, the Armed Services could attract enough volunteers to staff active-duty strength objectives.² In 1973, following the Nation's withdrawal from Vietnam, the last conscription authority, enacted in 1971, expired.³ Forty years later, the uniformed services have successfully maintained the All-Volunteer Force, which comprised 1.43 million active-duty and 0.84 million Reserve Component volunteers in FY 2013, of which 0.40 million (17 percent) were officers and 1.88 million (83 percent) were enlisted personnel.⁴

Table 1. Active and Reserve Component End Strength, FY 2013⁵

| | Army | Marine Corps | Navy | Air Force | Coast Guard | NOAA | Public Health Service | Total |
|--------------|------------------|----------------|----------------|----------------|---------------|------------|-----------------------|------------------|
| Active | 532,043 | 195,657 | 323,951 | 330,694 | 40,276 | 330 | 6,729 | 1,429,680 |
| Reserve | 198,209 | 39,642 | 62,444 | 70,913 | 7,994 | - | 85 | 379,287 |
| Guard | 357,735 | - | - | 105,708 | - | - | - | 463,443 |
| Total | 1,087,987 | 235,299 | 386,395 | 507,315 | 48,270 | 330 | 6,814 | 2,272,410 |

The Services recruit and retain these personnel through a “closed” personnel system in which Service members are generally promoted from a pool of more junior members already in that system.⁶ This structure gives rise to a downward sloping active-duty “force profile,”⁷ with larger numbers of junior Service members (see Figure 1). Many of these Service members leave after their first obligation period, leading to a sharp decline in personnel after four through six years of service. After approximately eight years of service, the force profile becomes flatter, with retention and continuation rates leveling off in part because Service members begin to feel the “pull” of the current

² President's Commission on an All-Volunteer Armed Force, *The Report of the President's Commission on an All-Volunteer Armed Force, February 1970*, 10, accessed May 12, 2014, <http://www.rand.org/content/dam/rand/pubs/monographs/MG265/images/webS0243.pdf>.

³ Military Selective Service Act, Pub. L. No. 92-129, 85 Stat. 348 (1971), as codified at 50 U.S.C. App. 455 (2014).

⁴ End Strength Data, presented in Section 6.4 of this report.

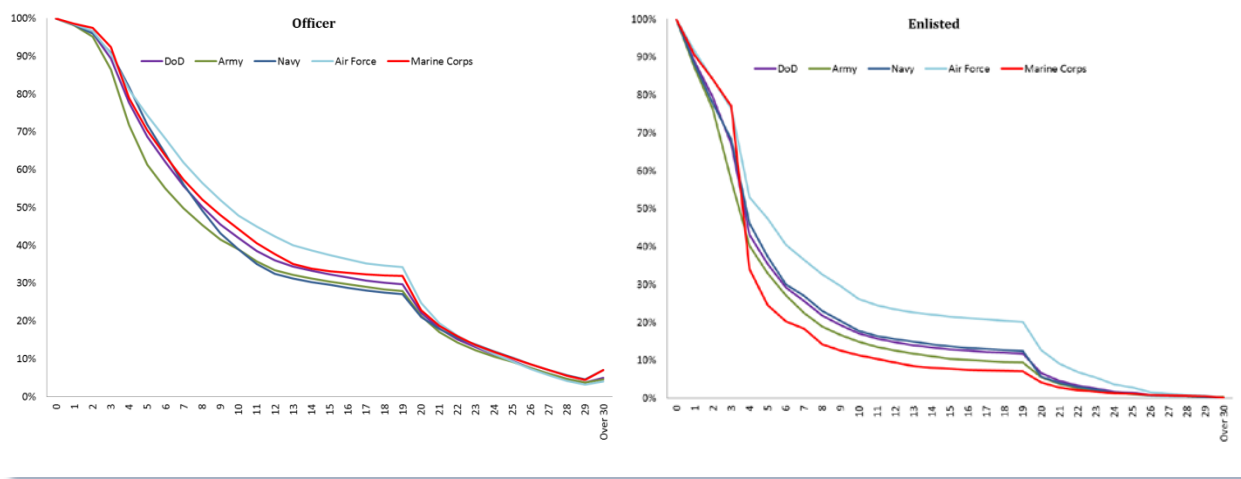
⁵ Ibid.

⁶ There are some exceptions to this general rule. For example, enlisted personnel who have successfully completed semester hours at accredited colleges or universities may enlist at grades above E-1 (see, e.g., Active and Reserve Components Enlistment Program, AR 601-210, 15 (2013)).

⁷ The force profile shows the numbers of personnel (in a service or skill) according to their years of service.

20-year retirement system.⁸ After the 20th year, the profile shows another drop, as Service members vest in the retirement system, financial incentives to remain decline substantially, and the Services' up-or-out system retains only those personnel selected for promotion.

Figure 1. Continuation Rates for Active-Duty Officers and Enlisted, FY 2013⁹



Importantly, representatives of each of the uniformed services communicated to this Commission that any modernized package of pays and benefits should enable the Services to maintain similar active-duty force profiles. In particular, the Services expressed their desire to retain (and potentially increase) the flexibility of special and incentive pays to enable them to adjust the compensation package to changing economic environments and Service requirements; however, the similarity of these force profiles across Services (and across time) partially masks several important shifts in the nature of the Force during the past 40 years.

Quality and Education. As shown in Figure 2, the percentage of high-quality active-duty recruits (defined as Armed Forces Qualification Test (AFQT) categories I through IIIA)¹⁰ increased substantially since the inception of the All-Volunteer Force, from 58 percent in 1973 to 75 percent in 2013.¹¹ Similarly, the percentage of active-duty recruits with high school diplomas rose from 66 percent in 1973 to 98 percent in 2013. Indeed, the United States maintained its quality benchmarks for active-duty recruits (that at least 90 percent of accessions are high school graduates, and that at least 60 percent of accessions score within the highest three ranks on the AFQT¹²) each year since 1985.¹³ Though these increases in recruit quality directly supported the rising technological base of the uniformed services, they also suggest that the

⁸ Paul F. Hogan, "Overview of the Current Personnel and Compensation System," in *Filling the Ranks: Transforming the U.S. Military Personnel System*, ed. Cindy Williams (Cambridge, MA: Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard, 2004), 29-53.

⁹ Defense Manpower Data Center, as of September 30, 2013.

¹⁰ Population Representation in the Military Services Fiscal Year 2011, prepared by CNA for USD(P&R), Appendix D, Table D-8. See also Qualitative Distribution of Military Manpower, DoDI 1145.01 (2013).

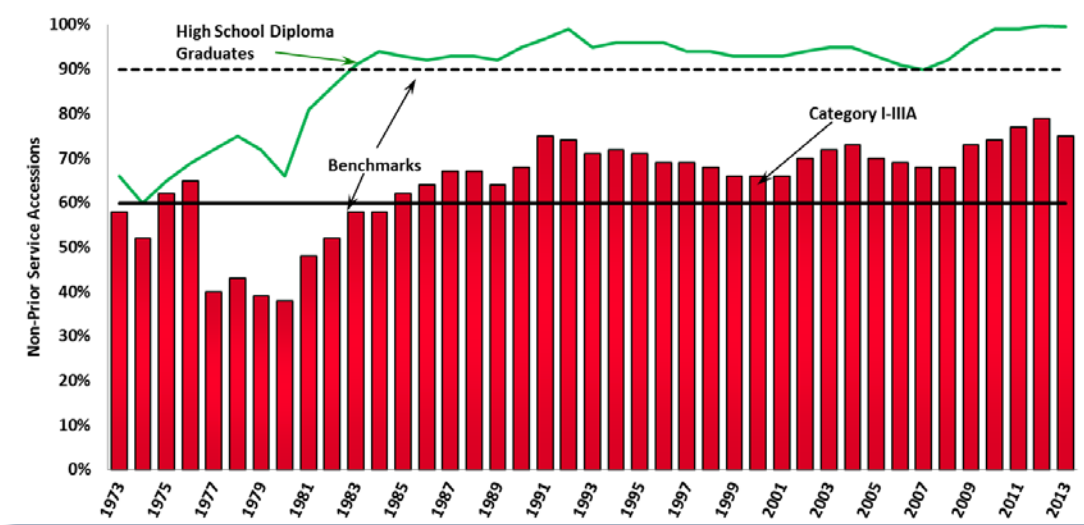
¹¹ Deputy Director, Accession Policy, OUSD(P&R)/Military Personnel Policy, e-mail to MCRMC, May 14, 2014.

¹² Qualitative Distribution of Military Manpower, DoDI 1145.01 (2013).

¹³ While overall benchmarks were maintained, the Army and Marine Corps had to grant waivers to make recruiting goals at the height of Operation IRAQI FREEDOM. "Chairman Waxman Requests Information on Increase in Military Personnel Waivers," Committee on Oversight and Government Reform, accessed April 22, 2014, <http://oversight-archive.waxman.house.gov/story.asp?ID=1889>.

uniformed services' compensation system must remain sufficiently robust and modern, or risk the inability to attract and retain personnel who may find greater employment opportunities in the civilian sector.

Figure 2. Recruit Quality, 1973-2013¹⁴



Gender. Since 1973, women have represented an increased part of the Force, growing as a percentage of Service members among each of the Military Services. As shown in Figure 3, women represented 14.5 percent of the active-duty enlisted force in 2013, compared with only 2.2 percent when conscription ended in 1973. In 2013, 16.4 percent of the officer corps was female.¹⁵ As shown on page 14, however, women with young children participate less in the workforce, suggesting that a number of otherwise trained and qualified female Service members leave military service earlier than they otherwise might due to a lack of flexible career options. As such, increased flexibility for female Service members may improve both retention and cost-effectiveness, particularly in skill sets with high training costs. Further, gender-specific military experiences, such as the fact that female Service members cannot be deployed while pregnant,¹⁶ and changing demographic trends, including the fact that by 2012 women represented nearly 33 percent of single Service members with dependents,¹⁷ all have implications for the design of health benefits, child care, and other quality of life benefits for a substantial portion of today's Service members.

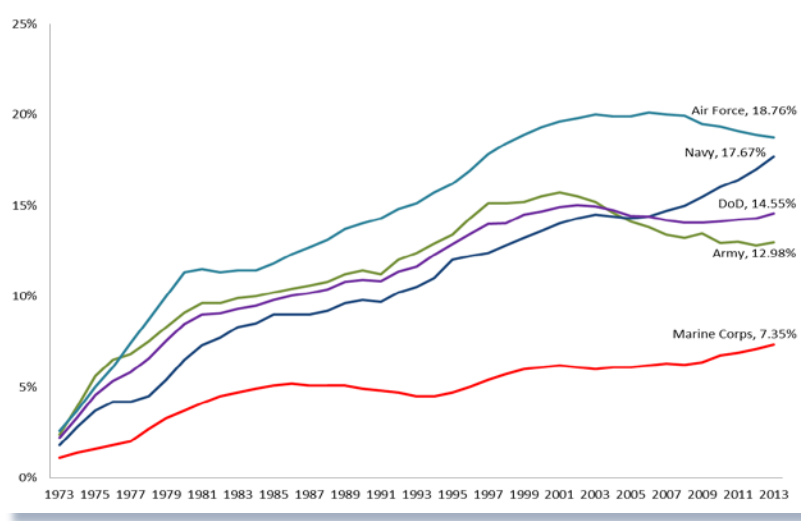
¹⁴ Deputy Director, Accession Policy, OUSD(P&R)/Military Personnel Policy, e-mail to MCRMC, May 14, 2014.

¹⁵ Defense Manpower Data Center, as of September 30, 2013.

¹⁶ Standards of Medical Fitness, AR 40-501 (2011). Guidelines Concerning Pregnancy and Parenthood, OPNAVINST 6000.1C (2014). Marine Corps Policy Concerning Pregnancy and Parenthood, MCO 5000.12E (2004). Air Force Guidance Memorandum, Assignments, AFI 36-2110 (2014). Pregnancy in the Coast Guard, COMDTINST 1000.9 (2011).

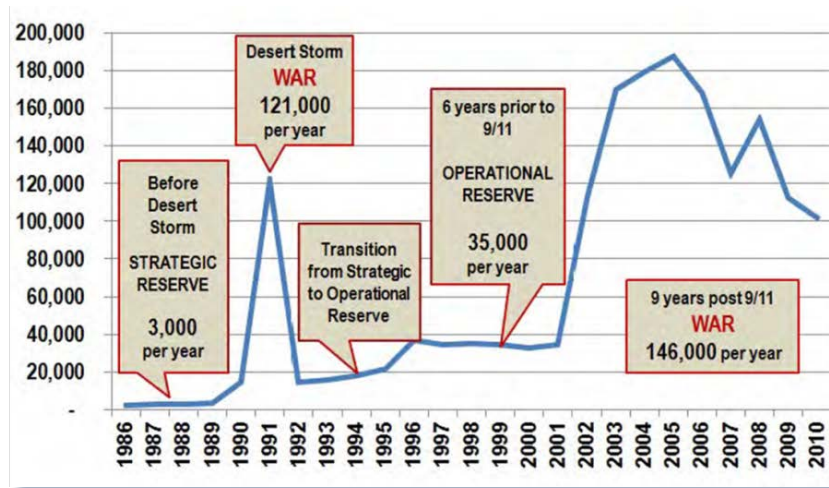
¹⁷ Department of Defense, *2012 Demographics: Profile of the Military Community*, accessed May 12, 2014, http://www.militaryonesource.mil/12038/MOS/Reports/2012_Demographics_Report.pdf.

Figure 3. Women as a Percentage of the Active-Duty Enlisted Force¹⁸



Nature of Service. Operational use of the National Guard and Reserves evolved substantially during the past 35 years. Originally conceived as a strategic reserve for the country in the event of major conflict, the Reserve Component mobilized repeatedly during times of conflict, including sustained mobilization during the last 13 years of war (see Figure 4). Numerous Guardsman, Reservists, and subject matter experts explained to the Commission how current compensation programs do not adequately address these operational requirements, specifically noting inflexibilities in health care benefits during Guard and Reserve mobilization and demobilization. Modernizing pay and benefit programs will provide an opportunity to address such inefficiencies for the betterment of Service members and their families, especially if Reserve Component operational requirements continue to grow as the active-duty force gets smaller.

Figure 4. Use of the National Guard and Reserve Since 1986¹⁹



¹⁸ Deputy Director, Accession Policy, OUSD(P&R)/Military Personnel Policy, e-mail to MCRMC, May 14, 2014.

¹⁹ Reserve Forces Policy Board, *Reserve Component Use, Balance, Cost and Savings: A Response to Questions from the Secretary of Defense, February 11, 2014 (RFPB Report FY14-02)*, accessed May 12, 2014, <http://rfpb.defense.gov/Portals/67/Documents/Final%20Signed%20Report%20without%20Slides.pdf>.

Marital Status. The number of Service members who are married increased over the last 40 years, from 40 percent of the active-duty force at the start of the All-Volunteer Force²⁰ to 55 percent in 2013.²¹ Sixty-eight percent of all active-duty officers were married in 2013.²² Of these, 71 percent had dependents and another 11 percent were families in which both Service members were in the uniformed services.²³ These trends have substantial implications for compensation programs that support spouses and dependents, especially quality of life and family support programs that provide support during frequent deployments of Service members.

Age. By their nature, the uniformed services have always been a young force, but it is worth noting that the Force is much younger than the overall civilian sector. Indeed, 38 percent of the active-duty force (officers and enlisted) is between the ages of 17 and 24, while only 13 percent of the civilian workforce falls between the ages of 16 and 24.²⁴ This can have important implications for the compensation package that will best enable the Services to recruit and retain personnel from rising generations.

CHANGES IN OUR NATION

The President and the Congress charged the Commission with developing a modernized package of benefits that enables the quality of life of Service members and their families. The Commission believes that the key to enhancing quality of life, while improving cost-effectiveness of the compensation system, is to align compensation programs to the preferences and priorities of Service members who make up the modern All-Volunteer Force. These preferences have necessarily been affected by dramatic changes in U.S. society and culture during the past 40 years, including the digital revolution, increases in levels of higher education, new benefit choices, and evolving workforce composition. These changes fundamentally altered how Americans function in the labor market and how they acquire goods and services. Designing a benefits package that integrates these societal trends to improve the quality of life of Service members and to meet the expectations of rising generations represents the challenge of military compensation modernization.

The Digital Revolution. Arguably the most profound of America's societal changes since the inception of the All-Volunteer Force is the digital revolution. As shown in Figure 5, household use of computers and the Internet rose dramatically during the past 30 years. In 1984, only 10 percent of U.S. households used a computer at home. By 2012, that number rose to almost 80 percent. Adoption of the Internet in U.S. households rose even faster. From being virtually non-existent in the early 1990s, the number of U.S. households using the Internet in their homes rose to almost 75 percent in 2012.

²⁰ "Population Representation in the Military Services Fiscal Year 2011," prepared by CNA for USD(P&R), Appendix D, Table D-14.

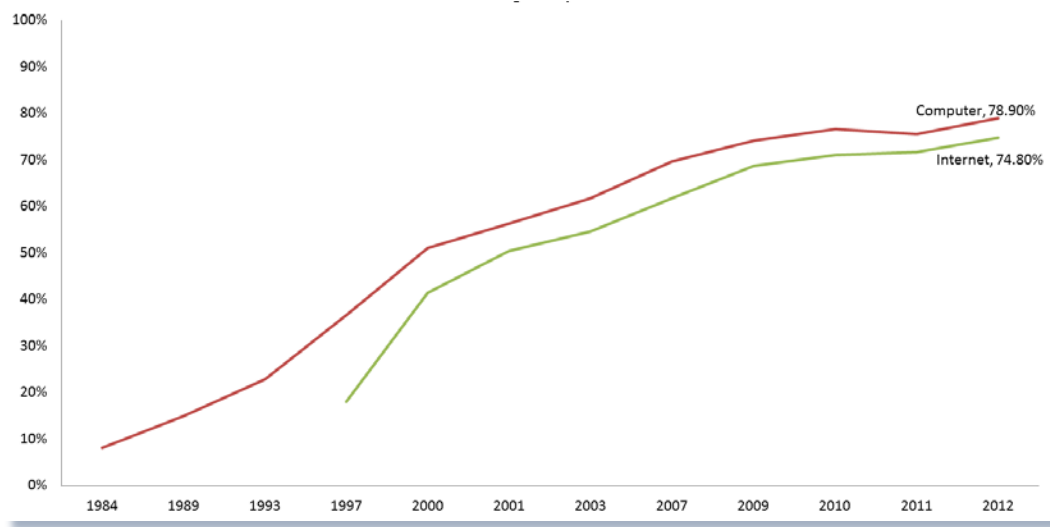
²¹ Defense Manpower Data Center, as of September 30, 2013.

²² Ibid.

²³ Ibid.

²⁴ Ibid. See also U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Table 3 - Employment status of the civilian noninstitutional population by age, sex, and race, accessed May 15, 2014, <http://www.bls.gov/cps/cpsaat03.htm>.

Figure 5. Household Computer/Internet Use²⁵



The Internet prompted a major revolution in how Americans access goods and services. Today, rather than going to brick-and-mortar stores to purchase computers, furniture, even groceries, consumers can simply access the Internet, browse a selection of websites offering these products, make a purchase online, and have the goods delivered to their residences. Employees can now receive payment via direct electronic transfer into a bank account, rather than receiving a paper check to be cashed at the local bank. The Internet has also affected health care delivery. Electronic health record systems can track an individual's health care across different providers. Patients can e-mail questions directly to their providers and set up appointments online. They can refill their prescription drugs online and have prescriptions mailed directly to their homes, without ever having to visit a traditional pharmacy.

The Internet also had a dramatic impact on labor markets. The ease of searching online for job postings across the world facilitated increased worker mobility; and the connectivity of the Internet enables increased telework and flexible work hours. This flexibility changed people's expectations of their employment, both in terms of compensation and environment.

Higher Education. Shifts in education levels also have the potential to be significant factors in recruitment and retention. The number of college graduates in the labor market increased over time,²⁶ as has the financial incentive to attend college (see Figure 6). A recent study by the Pew Research Center found that the pay premium advantage from obtaining a college degree over a high school diploma increased from 24 percent in 1965, to 63 percent in 2013.²⁷ Historically, the military has been seen as

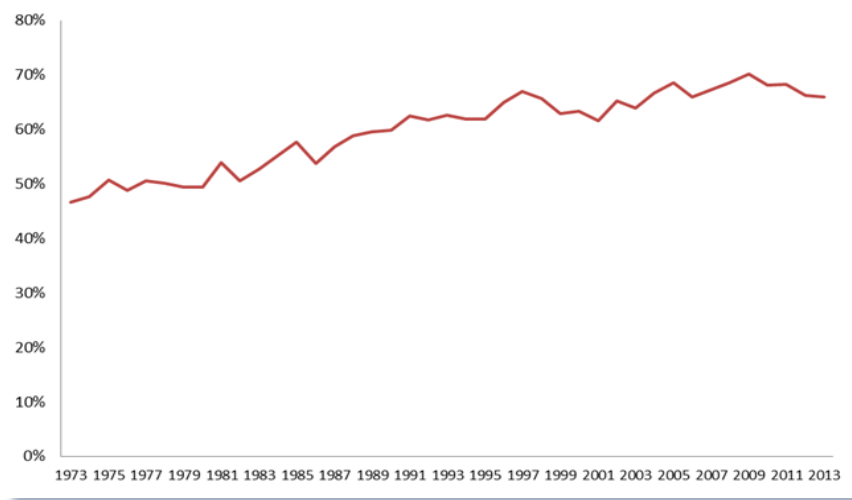
²⁵ U.S. Census Bureau, Table 2: Households with a Computer and Internet Use 1984-2012, accessed May 15, 2014, <http://www.census.gov/hhes/computer/publications/2012.html>.

²⁶ The share of high school graduates that enroll in college has risen from less than 50 percent in 1973 to almost 70 percent in 2013. "College Enrollment Rate of Recent High School Graduates Age 16-24, October 1959-2009," Bureau of Labor Statistics, accessed May 15, 2014, http://www.bls.gov/opub/ted/2010/ted_20100428_data.htm. See also "Archived News Releases," Bureau of Labor Statistics, accessed May 15, 2014, http://www.bls.gov/schedule/archives/all_nr.htm#HSGEC.

²⁷ Pew Research Center, *The Rising Cost of Not Going to College*, accessed May 15, 2014, <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>.

a lucrative alternative to college for new high school graduates. Trends toward increased college participation and completion (and increases in the financial incentive for young adults to do so) may pose risks to the ability of the uniformed services to recruit the highest quality candidates out of high school.

Figure 6. College Enrollment Rate of High School Graduates²⁸



The spiraling growth in technology and technology-related employment also increased private-sector demand for high-quality workers, particularly those with college degrees. As the Services value college education (including the attainment of associate's and bachelor's degrees, often at Government expense) when considering promotion and advancement, more educated Service members increase in value both to the Services and the private sector, with implications for mid-career retention. Because of corresponding trends in military requirements toward increasing technical skill and experience, increased private-sector opportunity for those with a college education may serve to increase the cost and difficulty of competing for, and retaining, employees with advanced or specialized knowledge and skill sets.

Benefit Choices. There has been a substantial rise in the number of choices offered to employees to accommodate their specific preferences and circumstances. An example of this trend is the introduction of cafeteria-style benefits plans,²⁹ as well as the steady increase in the use of defined contribution retirement plans in the private sector (see Figure 7). These retirement plans provide flexibility in employee investment choices, and allow for improved portability for employees.³⁰ Although the applicability of such retirement plans to the uniformed services, which are subject to many unique requirements that differ from the civilian sector (such as a closed personnel system and the rigors of wartime deployments), requires additional research, the trend toward

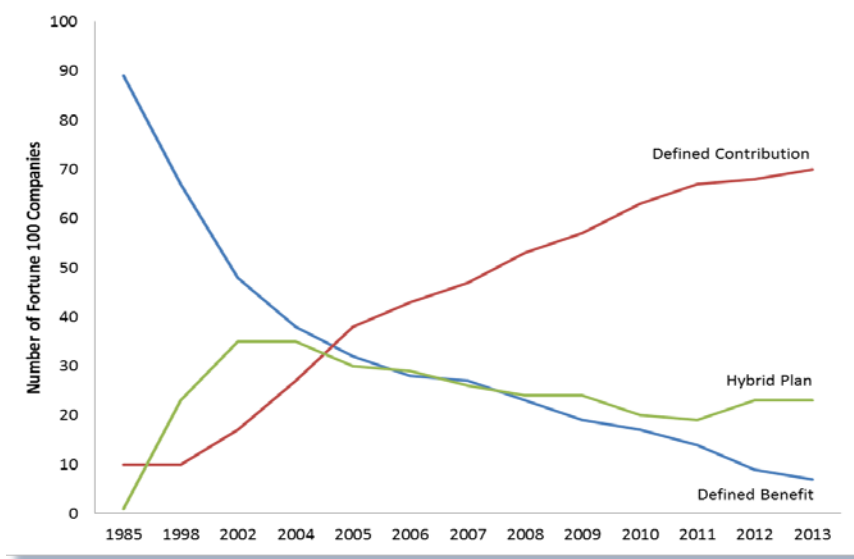
²⁸ "College enrollment rate of recent high school graduates age 16 to 24, October 1959-2009," U.S. Bureau of Labor Statistics, accessed May 15, 2015, http://www.bls.gov/opub/ted/2010/ted_20100428_data.htm. Supplemented with 2010-2013 data from "Archived News Releases," U.S. Bureau of Labor Statistics, accessed May 15, 2014, http://www.bls.gov/schedule/archives/all_nr.htm#HSGEC.

²⁹ The legal rules establishing cafeteria plans are set forth in 26 U.S.C. § 125. For a discussion of how employee benefits have evolved to include more employee choice, including cafeteria plans, see Chapters XIII and XIV in Employee Benefit Research Institute, *Business, Work, and Benefits: Adjusting to Change*, accessed May 14, 2014, <http://www.ebri.org/publications/books/index.cfm?fa=bwba>.

³⁰ See Internal Revenue Code, 26 U.S.C. § 401. See also Internal Revenue Code, 26 U.S.C. §§ 411 and 414.

greater flexibility and choice in the broader society has implications for the cost-effective design of the military compensation system.

Figure 7. Fortune 100 Retirement Plans³¹



Health care represents another area in which increased access to information and a rise in education levels has resulted in growing choice and responsiveness. Numerous changes in laws, regulations, and guidelines influenced changes in the practice of medicine. The implementations of health insurance exchanges and marketplaces have increased choices and customization in health care benefits, while advances in science and technology increasingly personalize the practice of medicine. Telemedicine and web-based reporting is becoming commonplace, advances in diagnostic and imaging techniques have made the early detection of disease and early intervention a reality, and trends in personalized medicine have sharpened the health care industry's focus on the patient as an individual.³² Patient-centric care, wellness, and prevention are now hallmarks of practicing and funding medicine.

Women in the Workforce. Women joined the labor force at an extremely rapid pace during the past 50 years. The participation rate of women in the labor force, which was 34 percent in 1950, increased to 60 percent by 2000,³³ while their share of the labor force grew from 30 percent in 1950 to almost 47 percent in 2000.³⁴ However, as shown in Figure 8, women's careers are more likely to include periods of time out of the labor force to raise children. In the private sector, both women and men are increasingly likely to have the option to craft nonstandard working arrangements, such as teleworking and flexible work schedules. According to the Current Population Survey, the percentage of full-time wage and salary workers with flexible schedules

³¹ Data from Towers Watson, accessed May 14, 2015, <http://www.towerswatson.com/en/Insights/Newsletters/Americas/Insider/2013/retirement-plans-offered-by-2013-Fortune-100>, see Figure 1a. Fortune 100 retirement plan sponsorship, 1985-2013.

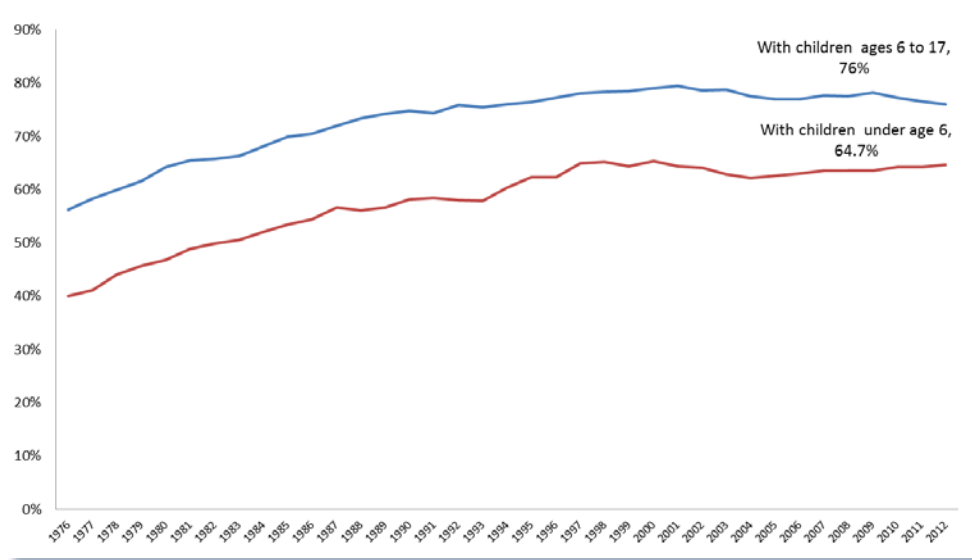
³² RAND Health, *How Are Residency Programs Preparing Our 21st Century Internists?*, accessed May 14, 2014, http://www.rand.org/content/dam/rand/pubs/working_papers/2009/RAND_WR686.sum.pdf.

³³ Mitra Toosi, "A Century of Change: The U.S. Labor Force, 1950-2050," *Bureau of Labor Statistics, Monthly Labor Review* (May 2002), accessed May 14, 2014, <http://www.bls.gov/opub/mlr/2002/05/art2full.pdf>.

³⁴ Ibid.

increased from 12 percent in 1985, to 28 percent in 2004.³⁵ A modernized compensation package for the uniformed services should adapt to these trends, perhaps by increasing flexibility in compensation and personnel management systems, as well as offering alternatives to the traditional career path, both of which would potentially affect the current force profile.

Figure 8. Labor Force Participation Rate of Mothers³⁶



According to the U.S. Bureau of Labor Statistics, “changes in both growth rates of the population and labor force participation rates have created a steadily growing labor force that, compared with 1950, is today older, more diversified, more technically skilled, and increasingly made up of women.”³⁷ These trends are expected to continue in the future, “as the same forces that have influenced the size and composition of the U.S. labor force over the past 50 years are expected to shape the future of the workforce as well.”³⁸ In response, many employers are finding it advantageous to allow employees to tailor their working conditions, hours of work, place of work, and benefits to suit their individual needs. These changes suggest a growing preference for flexibility and choice in benefits by American workers, which should be considered during the process of modernizing the compensation programs of the uniformed services.

CHANGES IN THE FISCAL ENVIRONMENT

As the Commission develops its recommendations to modernize the compensation package of the uniformed services, it has also been tasked to evaluate the fiscal sustainability of those programs. Toward that end, Section 6 of this report contains an

³⁵ U.S. Bureau of Labor Statistics, *Workers on Flexible and Shift Schedules*, accessed May 14, 2014, <http://www.bls.gov/news.release/pdf/flex.pdf>.

³⁶ “Labor Force Participation of Mothers by Age of Own Child, March 1976-2012,” U.S. Department of Labor, accessed May 14, 2014, http://www.dol.gov/wb/stats/LForce_rate_mothers_child_76_12_txt.htm.

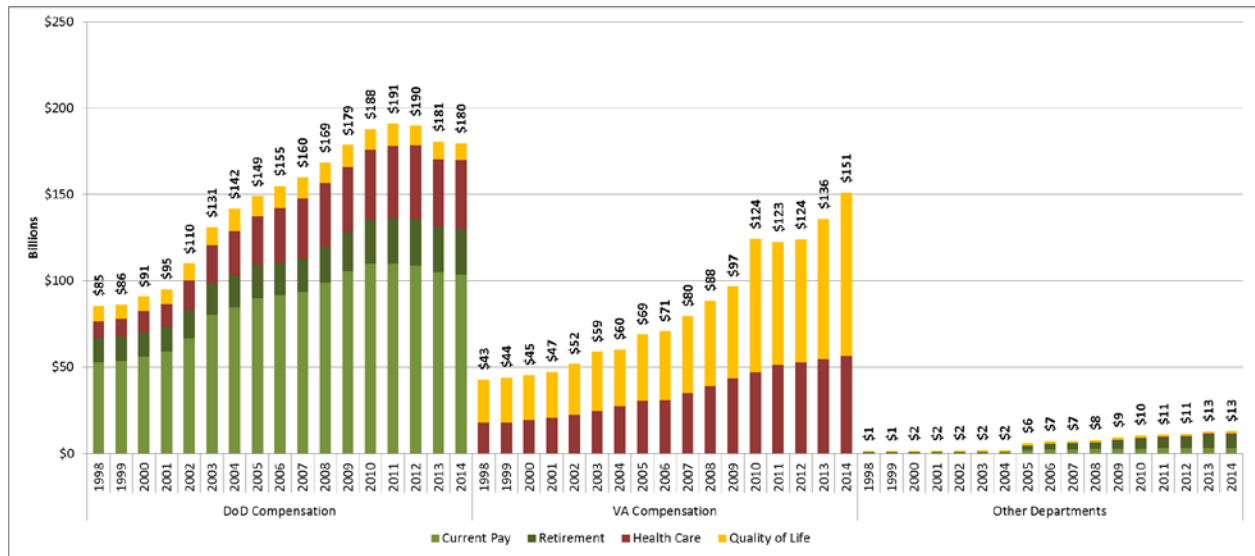
³⁷ Mitra Toosi, “A Century of Change: The U.S. Labor Force, 1950-2050,” *Bureau of Labor Statistics, Monthly Labor Review* (May 2002), accessed May 14, 2014, <http://www.bls.gov/opub/mlr/2002/05/art2full.pdf>.

³⁸ Ibid.

accounting of all appropriated dollars that support the uniformed services' compensation programs.³⁹

Compensation Funding. Though the data in Section 6 of this report show an increase in compensation funding (partially illustrated in Figure 9) during the past 16 years,⁴⁰ as has been reported repeatedly in the press,⁴¹ such simple trends do not adequately explain funding growth, particularly during 13 years of sustained war. Indeed, the Commission identified myriad reasons behind the growth in compensation funding.

Figure 9. Compensation Breakout by Portfolio and Source⁴²



First, comparisons of relative growth rates are highly dependent on when the comparisons are begun. As shown in Figure 10, after 1998, military basic pay raises were generally higher than the Employment Cost Index (ECI), which measures employment cost growth in the national economy, as evidenced by the shrinking gap between the military pay raise and ECI lines. In fact, the Congress authorized military pay raises higher than ECI every year between 2000 and 2010.⁴³ Beginning the comparison in 1976, however, shows the post-1998 pay raises to be a reaction to military pay raises that were lower than ECI from 1982 through 1998. Indeed, policymakers made a concerted effort around the turn of the 21st century to increase compensation for Service members to counteract recruiting and retention challenges during the 1990s.

³⁹ Section 6 of this report contains detailed budget data beginning in 1998, which is the first year for which budget data was publicly available from the Office of the Undersecretary of Defense (Comptroller).

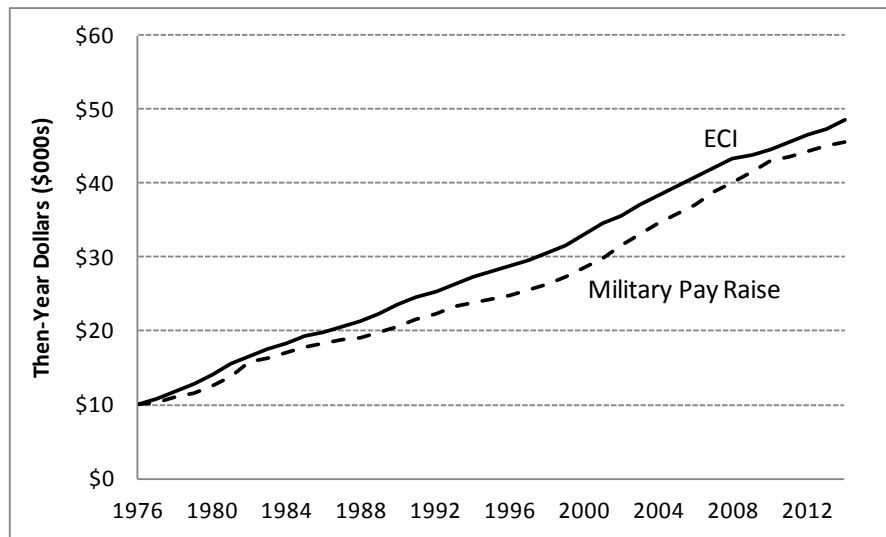
⁴⁰ As noted in Footnote 39, detailed compensation data is only publicly available from the Office of the Undersecretary of Defense (Comptroller) since 1998.

⁴¹ Mackenzie Eaglen and Michael O'Hanlon, "Military Entitlements Are Killing Readiness," *The Wall Street Journal*, July 25, 2013. Walter Pincus, "Personnel Costs Are a Growing Threat to Defense, Military Leaders Tell Congress," *The Washington Post*, November 13, 2013. Editorial, "Putting Military Pay on the Table," *The New York Times*, November 30, 2013.

⁴² Appropriated Budget Data, presented in Section 6.2 of this report.

⁴³ Result obtained using National Defense Authorization Acts FY 2000–FY 2010, ECI data from U.S. Bureau of Labor Statistics, and 37 U.S.C. § 1009.

Figure 10. Military Pay Raises Compared to the Employment Cost Index⁴⁴



Second, compensation funding naturally increases with general inflation, which grew by 43 percent between FY 1998 and FY 2013.⁴⁵ Moreover, health care and education prices rose by 76 percent and 129 percent, respectively, during the same period.⁴⁶

Third, several new benefits and programs provided to Service members and veterans during this time period required new funding, rather than increasing funding of existing programs. Examples include:

- TRICARE For Life, which provided health care benefits to Medicare-eligible military retirees, enacted in 2001⁴⁷
- Concurrent Receipt, which allowed some disabled veterans to receive both DoD and Department of Veterans Affairs compensation without any offset between them, enacted in 2004⁴⁸

⁴⁴ ECI data were acquired from IHS Economic and Country Risk, which provides historical data from the Bureau of Labor Statistics. (IHS compiles data from disparate sources across BLS into one place.) Pay raise data from Office of the Undersecretary of Defense (Comptroller), National Defense Budget Estimates for FY 2015, 71, accessed June 6, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/FY15_Green_Book.pdf.

⁴⁵ Data were obtained from Bureau of Labor Statistics, <http://www.bls.gov> (clicking on “data tools” to get to <http://bls.gov/data/>, then doing several multiscreen data searches to obtain the relevant Consumer Price Indices: CPI-U, CPI-U Medical, CPI-U Education, etc.).

⁴⁶ Ibid.

⁴⁷ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 712, 114 Stat. 1654, 1654A-176 (2000).

⁴⁸ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 641, 117 Stat. 1392, 1511-1516 (2003) (effective January 1, 2004).

- Basic Allowance for Housing, which increased to cover 100 percent of median housing rental costs, from approximately 85 percent coverage in 2005⁴⁹
- Reform of the Survivor Benefit Plan, which eliminated the Social Security offset in FY 2005.⁵⁰
- The Post-9/11 GI Bill, which substantially expanded educational benefits to Service members and their families, enacted in 2008⁵¹

Finally, some of the increase in compensation funding results from the cost of war, including increases in military manpower. Increases in health care funding provided critical care for Service members—including funding for the treatment of many war-related injuries such as post-traumatic stress disorder and traumatic brain injury. Funding also increased for many veteran and family support programs⁵².

Fiscal Sustainability. Simple trends of compensation funding do not indicate whether current pays and benefits are sustainable. Indeed, as shown in Figure 11, military compensation as a share of the DoD budget has declined since the inception of the All-Volunteer Force, representing roughly 29 percent of the budget since FY 2001 (except during the height of Operation IRAQI FREEDOM). During the same time, pay and benefits for DoD civilians represented another 11 percent of the budget.

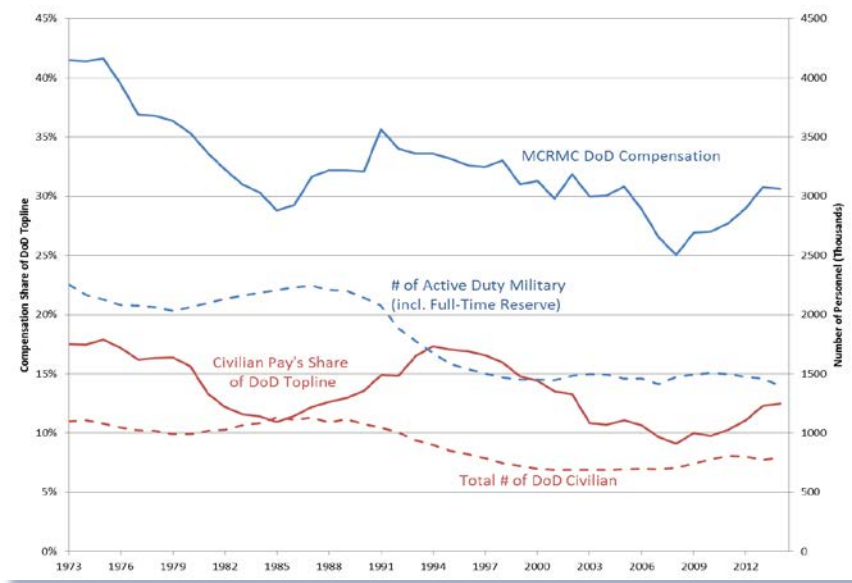
⁴⁹ National Defense Authorization Act for FY 1998, Pub. L. No. 105-85, § 603, 111 Stat. 1629, 1775-1783 (1997) amended law so that BAH was the difference between costs for adequate housing in the area and 15 percent of national median housing costs. This came close to 20 percent out-of-pocket costs. The Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 605(a), 114 Stat. 1654, 1654A-147-1654A-148 (2000) removed the 15 percent language, effectively making a member's out-of-pocket costs 0, while section 605(e) allowed for a transition period to last until January 1, 2005, meaning that a member's out-of-pocket costs were 0 by January 1, 2005.

⁵⁰ Formerly, the Survivor Benefit Plan annuity was reduced from 55 to 35 percent by Social Security once a beneficiary reached age 63 and was eligible to receive Social Security benefits. The National Defense Authorization Act of Fiscal Year 2005 established a phase out of that policy, which increased the SBP percentage as follows: 45 percent in April 2006, 50 percent in April 2007, and 55 percent in 2008. See Patrick Mackin, Richard Parodi, and David Purcell, *Report of the Eleventh Quadrennial Review of Military Compensation, Supporting Research Papers, Chapter 12: Review of Survivor Benefits*, accessed June 1, 2014, http://militarypay.defense.gov/REPORTS/QRMC/11th_QRMC_Supporting_Research_Papers_%28932pp%29_Linked.pdf.

⁵¹ Post-9/11 Veterans Educational Assistance Act of 2008, Pub. L. 110-252, Title V, 122 Stat. 2323, 2357-2386 (2008) (effective August 1, 2009).

⁵² Increased spending was observed in data collected by MCRMC. See Data Sources, presented in Section 6.3 of this report.

Figure 11. Military Compensation Costs as Share of DoD Topline⁵³

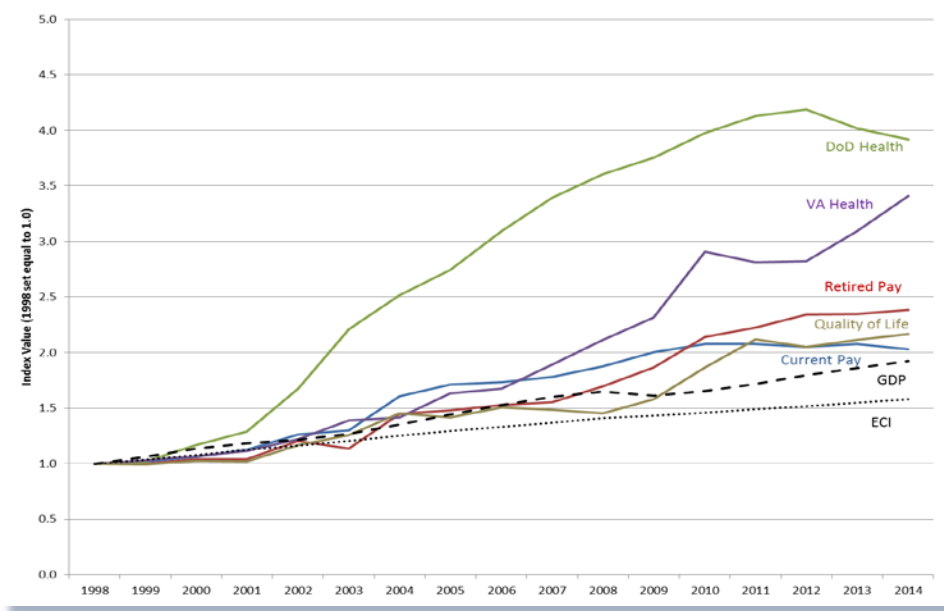


The fact that military compensation costs consistently represent roughly one-third of the DoD budget, however, does not provide evidence of fiscal sustainability. Rather, it shows that various civilian and military leaders have, over time, reached similar decisions regarding the ratios of personnel, readiness, and modernization funding. Indeed, Figure 11 indicates that active-duty end strength declined during the same period that the compensation share of the budget was roughly constant, implying differing groups of DoD leadership reduced force structure to maintain the share of the budget that funded military compensation.

To analyze the issue of fiscal sustainability more broadly, the Commission is examining sustainability by comparing compensation growth to changes in other key financial indices. For example, the Commission considers the growth rate in Gross Domestic Product (GDP) to be the maximum rate at which compensation funding, holding force size constant, can grow while representing the same share of national income. Alternatively, the ECI provides a measure of employment cost growth in the broader economy. Figure 12 shows military compensation costs, unadjusted for the reasons for cost growth described above, relative to changes in GDP and ECI.

⁵³ The share of the DoD budget for 1998–2014 was calculated with MCRMC data in Section 6 of this report. During this period, the share of the budget representing military compensation costs averaged 5 percent above the share of the budget represented by the MILPERS appropriation. To estimate compensation costs before 1998, MCRMC added 5 percent to MILPERS share of DoD topline for 1973–1997.

Figure 12. Relative Compensation Cost Growth⁵⁴



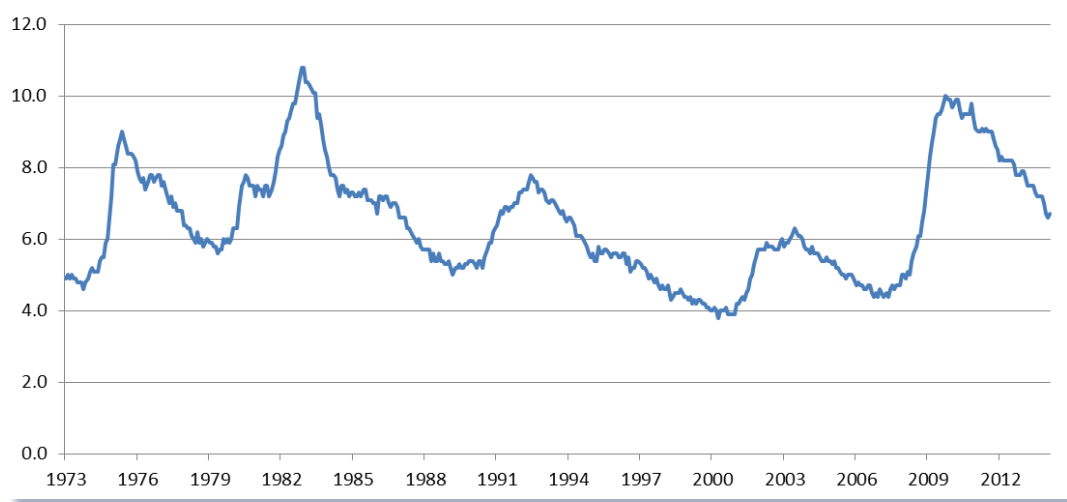
Civilian Unemployment. The civilian employment climate is among the primary drivers of personnel recruiting and retention behavior.⁵⁵ As Figure 13 shows, unemployment vacillated considerably during the All-Volunteer Force era, causing major swings in the Services' ability to recruit and retain personnel. When civilian unemployment is high, military employment becomes more attractive due to its high job security. Similarly, when unemployment is low, civilian employment opportunities are more plentiful, making military recruiting and retention more difficult⁵⁶ and adding to the pressure to expand compensation programs. Accordingly, the unemployment rate is a key component of the effectiveness and sustainability of military compensation programs over short time periods.

⁵⁴ See Data Sources, presented in Section 6.3 of this report. The chart excludes an index for unfunded liability payments into the Military Retirement Fund or the Medicare-Eligible Retiree Health Care Fund. Normal cost payments into these funds, which reflect the future retirement compensation costs of currently serving Service members, are included in the chart indexes.

⁵⁵ The Act of December 16, 1967, Pub. L. No. 90-207, § 8(a), 81 Stat. 649, 649-50 (1967) first links basic pay to General Schedule of civilian employees.

⁵⁶ Department of Defense, *Report of the Eleventh Quadrennial Review of Military Compensation, Supporting Research Paper Files, Chapter 2: The Effect of the Civilian Economy on Recruiting and Retention*, accessed May 14, 2014, http://militarypay.defense.gov/REPORTS/QRMC/11th_QRMC_Supporting_Research_Papers_%28932pp%29_linked.pdf.

*Figure 13. Civilian Unemployment Rate (%)*⁵⁷



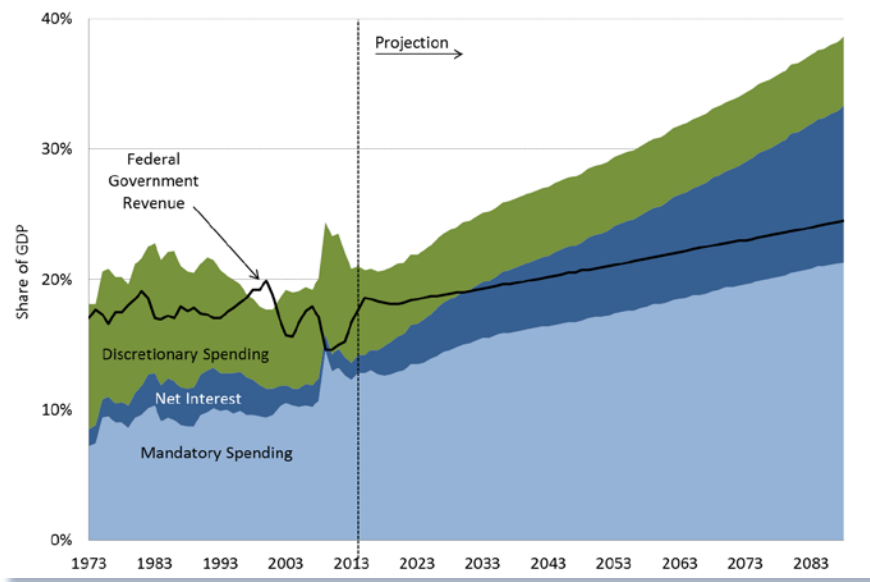
Indeed, the United States recently suffered through a major recession, pushing the civilian unemployment rate to 10 percent, as seen in Figure 13. During this time, the Services found recruiting and retention much easier and were able to substantially boost the quality of recruits.⁵⁸ As our Nation recovers from the recession, competition for recruits in the civilian labor market will once again rise as non-military employment opportunities become more available. Thus, recruiting and retention is expected to become more difficult in the near future due to this external factor, independent of any recommendation of the Military Compensation and Retirement Modernization Commission.

Broader Federal Spending. Compensation pressures are also expected to increase because the U.S. budget is projected to put more downward pressure on uniform services' budgets. Figure 14 shows the Congressional Budget Office's (CBO's) long-run forecast of the U.S. budget, converting government spending and revenue into shares of GDP to facilitate comparison across time. Government revenue, indicated by the black line, sets the amount that the government can spend before having to issue debt (i.e., deficit spend). This figure has averaged 17.3 percent of GDP during 1973–2013, and CBO forecasts it will slowly grow toward 20 percent of GDP during the next several decades.

⁵⁷ "Seasonally Adjusted Unemployment Rate," U.S. Bureau of Labor Statistics, Series LNS14000000, accessed May 15, 2015, <http://www.bls.gov/data/>.

⁵⁸ "DoD News Briefing with Bill Carr from the Pentagon," Department of Defense, accessed May 14, 2014, <http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=4497>. See also Figure 2 of this report.

Figure 14. U.S. Fiscal Forecast⁵⁹



Government spending, however, is projected to grow at a higher rate. Government spending is divided into three primary categories: mandatory, discretionary, and net interest on the national debt. Mandatory spending⁶⁰ (e.g., Medicare, Medicaid, and Social Security) steadily increased over time, consuming an average of 8.5 percent of GDP from 1973-77, but increasing to 13.1 percent from 2009-13. CBO forecasts that, due to rising health care costs and demographic changes, mandatory spending will steadily increase as a share of GDP during the next 70 years. Meanwhile, net interest payments are projected to increase rapidly due to the size of the national debt and the expectation that interest rates will rise toward their historical averages. According to CBO, net interest may represent 3-4 percent of GDP within the next 10 years, and continue to increase, surpassing 10 percent of GDP within the next 60 years.

Discretionary spending comprises all other government spending, including most spending for the uniformed services. Discretionary spending fell slowly as a share of GDP, averaging 9.6 percent during the 1980s. It hit a low of 6.0 percent in 1999, and lately averaged approximately 8.3 percent. Given that mandatory and net interest spending are forecast to consume greater shares of government revenue (indeed, CBO forecasts they will completely consume government revenue by 2030), it will be successively more difficult to maintain current levels of discretionary spending without rapidly increasing the U.S. debt.

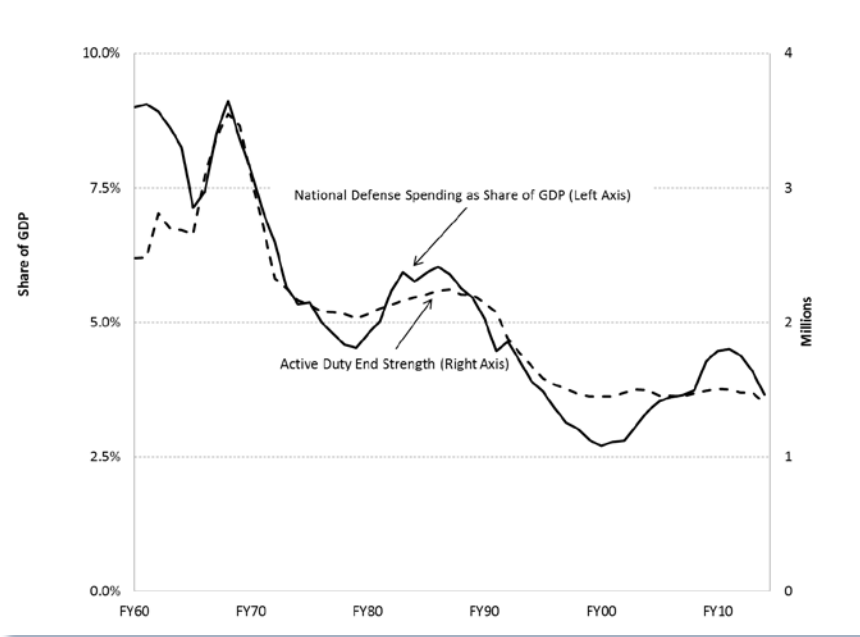
In turn, it is important to note that lower defense spending has historically been associated with reductions in the size of the U.S. military (as shown in Figure 15). Rising compensation funding coupled with downward fiscal pressure on defense spending may force additional reductions in uniformed service personnel in the future.

⁵⁹ Congressional Budget Office, *The 2013 Long-Term Budget Outlook*, September 17, 2013, accessed May 14, 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44521-LTBO2013_0.pdf.

⁶⁰ Mandatory spending refers to spending enacted by previously established law, not annual appropriation bills. Most mandatory spending is on benefit programs where the eligibility and rules have been prescribed by law. Discretionary spending is not automatically renewed every year and is dependent on appropriation bills to be enacted.

This may have additional implications on the quality of Service members' career experiences, and therefore put additional pressure on compensation programs.

Figure 15. Defense Spending and Active-Duty End Strength⁶¹



The Budget of the United States Government, FY 2015 (PB15) already forecasts additional reductions in DoD's share of GDP and in end strength by FY 2019 (see Table 2). In the PB15 request, DoD projects a base budget request of \$559 billion in FY 2019,⁶² compared to a base budget of \$496 billion in FY 2013. Even though DoD's FY 2019 plan is \$23 billion higher than the FY 2019 amount set forth in the Budget Control Act of 2011 (BCA),⁶³ it would only be 2.6 percent of the projected GDP for FY 2019,⁶⁴ compared to 3.0 percent of GDP for DoD's budget in FY 2013. During the same period, DoD projects reducing active-duty end strength by 81,000 and the Reserve Component by another 33,000—a reduction of 6 percent and 4 percent, respectively.⁶⁵

⁶¹ Sources: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2015 (Green Book)*, accessed May 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/FY15_Green_Book.pdf. Office of Management and Budget, PB 2015, Historical Tables, Table 3.1 – Outlays by Superfunction and Function: 1940-2019, Table 10.1 – Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2019

⁶² Executive Office of the President, *Budget of the United States Government, Fiscal Year 2015*, 203, accessed May 14, 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf>.

⁶³ Congressional Budget Office, *Approaches for Scaling Back the Defense Department's Budget Plans*, 9, March 2013, accessed May 14, 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43997_Defense_Budget.pdf.

⁶⁴ Executive Office of the President, *Budget of the United States Government, Fiscal Year 2015*, 203, accessed May 14, 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf>.

⁶⁵ Office of the Under Secretary of Defense (Comptroller)/CFO, *Fiscal Year 2015 Budget Request*, March 2014, 9, accessed May 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request.pdf.

Table 2. Budget and End Strength Data⁶⁶

| DoD Budget Projections | | FY 2019 |
|---|------|--------------------|
| GDP (CBO Projection) | | \$21,867B |
| DoD Base Budget Topline (PB15) | | \$559B 2.6% of GDP |
| DoD Base Budget Topline (BCA, estimated by CBO) | | \$536B 2.5% of GDP |
| End Strength Reductions from FY 2014 (PB15) | | |
| Active Component | -81K | 6% reduction |
| Guard/Reserve Component | -33K | 4% reduction |

Perhaps in response to these budget pressures, PB15 also proposes several changes to compensation programs designed to slow the growth of associated funding.⁶⁷ Changes include limited pay raises, restoring Service member out-of-pocket costs for housing, reductions in commissary benefits, and consolidation of TRICARE health benefit programs.⁶⁸ The specifics of these changes are included in the relevant program descriptions throughout the remainder of this report.

As the Commission continues its work, it will refine its analysis of the sustainability of current compensation programs. It will also factor these analyses and proposed changes in PB15 into its recommendations to the President of the United States and the Congress in February 2015.

⁶⁶ GDP CBO projection is from Congressional Budget Office report, *The Budget and Economic Outlook: 2014 to 2024*, February 2014, accessed May 15, 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-Outlook2014_Feb.pdf. The third line of the table is from Congressional Budget Office, *Approaches for Scaling Back the Defense Department's Budget Plan*, 9, accessed May 15, 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43997_Defense_Budget.pdf. The second, fourth, and fifth lines of the table are from Office of the Under Secretary of Defense (Comptroller)/CFO, *Fiscal Year 2015 Budget Request*, accessed May 15, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request.pdf.

⁶⁷ Executive Office of the President, *Budget of the United States Government, Fiscal Year 2015*, 206, accessed May 14, 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf>.

⁶⁸ Ibid.

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3. PAYS AND RETIREMENT

3.1. REGULAR MILITARY COMPENSATION

Regular Military Compensation (RMC) includes basic pay, basic allowance for subsistence (BAS), basic allowance for housing (BAH) (or overseas housing allowance, depending on duty location), and the Federal tax advantage.¹ Every member of the uniformed services, depending on their duty status, is entitled to receive these four basic elements of military compensation.² In 1962, the Gorham Report, the product of a comprehensive study of military compensation for then-Secretary of Defense Robert McNamara, first proposed the construct of “regular military compensation” as a “rough yardstick for comparing military and civilian compensation levels.”³

3.1.1. BASIC PAY

Basic pay⁴ is the primary means of compensating members of the uniformed services for their service to the country. The amount of basic pay to which a particular member is entitled depends on the member’s pay grade, length of service, and status (Active or Reserve).⁵

Members serving in active status receive basic pay on a regular basis—typically twice monthly. Members of the Reserve Component are entitled to compensation at the rate of one-thirtieth of the monthly basic pay authorized for an active-duty member of equal pay grade and length of service:

(1) for each regular period of instruction, or period of appropriate duty, at which the member is engaged for at least two hours, including that performed on a Sunday or holiday;

(2) for the performance of such other equivalent training, instruction, duty, or appropriate duties, as the Secretary may prescribe; or

(3) for a regular period of instruction that the member is scheduled to perform but is unable to perform because of physical disability resulting from an injury, illness, or disease incurred or aggravated—

(a) in line of duty while performing (i) active duty or (ii) inactive-duty training

¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 101(25).

² Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 204, 206. The basic pay that each member is entitled to is described in detail further in this report.

³ Department of Defense, *Military Compensation Background Papers, Seventh Edition*, November 2011, 864, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

⁴ The current term, “basic pay,” was adopted in the Career Compensation Act of 1949, ch. 681, Pub. L. No. 81-351, §§ 201, 202, 63 Stat. 802, 805–9 (1949).

⁵ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 204, 206.

(b) while traveling directly to or from that duty or training (unless such injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member); or

(c) in line of duty while remaining overnight immediately before the commencement of inactive-duty training, between successive periods of inactive-duty training, at or in the vicinity of the site of inactive-duty training.⁶

Different types of Reserve duty result in different levels of compensation, which, in effect, result in three different pay plans:⁷

- Selected Reservists who are not activated typically participate in 38 days of required training per year.⁸ A portion of that training is usually performed one weekend a month on inactive duty for training (also called drills, unit training assemblies, or battle assemblies). Each training period is a minimum of four hours, with a maximum of two periods per day.⁹ Reserve Component personnel performing inactive-duty training receive one-thirtieth of monthly basic pay for each period for a total of four days of basic pay for the weekend.¹⁰
- Reservists also participate in annual training, typically for 14 days.¹¹ These two weeks of training are performed on active duty, generally referred to as “active-duty for training.”¹² For this duty, Reserve Component personnel receive one day of basic pay plus allowances—the subsistence allowance and a reduced housing allowance—for each day of service.¹³
- Reserve Component members who are called to active duty for 31 days or more receive basic pay, along with the subsistence allowance and full housing allowance.¹⁴ In this case, Reserve members are paid the same as Active Component personnel.¹⁵

Beneficiaries

Basic pay is paid to all uniformed Service members.¹⁶

Historical Context

Active Duty

All active-duty uniformed Service members are entitled to a primary form of pay as compensation for their military service to their country.¹⁷ For the vast majority of members of the uniformed services, this primary form of pay is known as “basic

⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 206.

⁷ Ibid.

⁸ Armed Forces, 10 U.S.C. § 10147.

⁹ Uniform Reserve, Training, and Retirement Categories for the Reserve Components, DoDI 1215.06, 12-14 (2014).

¹⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 206(a).

¹¹ Armed Forces, 10 U.S.C. § 10147. National Defense, 32 CFR 101.5.

¹² Ibid.

¹³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 204(a)(2). (37 U.S.C. §§ 402-403 provide that Service members who are entitled to basic pay under 37 U.S.C. § 204 are also entitled to BAS and BAH. These allowances are discussed later in this report.)

¹⁴ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 204(b). (37 U.S.C. §§ 402-403 provide that Service members who are entitled to basic pay under 37 U.S.C. § 204 are also entitled to BAS and BAH. These allowances are discussed later in this report.)

¹⁵ Ibid.

¹⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 204, 206.

¹⁷ Ibid.

pay.”¹⁸ This type of pay is also supplemented by additional pays and allowances intended to address various specialized needs and requirements of the uniformed services or to offset certain costs that members have to bear as a result of conditions of service.¹⁹

The following are some of the highlights of changes to basic pay over the past century:

- 1922 – The first pay legislation that dealt with compensation for all the Services—the Joint Service Pay Readjustment Act of 1922—increased the pay rates, and established that officers would be paid according to “pay periods.” The Act essentially created pay tables for officer and enlisted personnel in which pay was based on longevity, not just pay grade.²⁰
- 1949 – The Career Compensation Act of 1949 was the first legislation that called the primary pay element “basic pay.” Basic pay was coupled with the two primary allowances “basic allowance for quarters” (BAQ) and “basic allowance for subsistence” (BAS).²¹
- 1958 – The Uniformed Services Pay Act of 1958 added pay grades O-9 and O-10 for officers, E-8 and E-9 for enlisted, and special junior grade rates in O-1 through O-3 for members who had more than four years of prior enlisted service when they became officers (limited-duty officers).²²
- 1967 – The first automatic pay raise mechanism was instituted. The Congress enacted policy stating whenever the general schedule of compensation for Civil Service employees changed, the basic pay of uniformed services would receive a comparable upward adjustment. Regular Military Compensation (RMC), which included basic pay, basic allowances for quarters, subsistence, and various tax advantages, became the defined term used for military compensation.²³
- 1974 – The Congress enacted policy that created a new pay adjustment mechanism in which the entire pay increase was not concentrated in basic pay, but was spread to allowances for quarters and subsistence as well. Increases for all three were to be comparable to increases in Civil Service General Schedule salaries.²⁴
- 1977 – The DoD Appropriation Authorization Act authorized the President to allocate raises across the three RMC elements in an other-than-equal percentage fashion, although, in such a scenario, the amount allocated to monthly basic pay was not permitted to be less than 75 percent of the amount that would be allocated in an equal distribution.²⁵
- 1988 – The House Armed Services Committee noted that the military pay gap relative to the Employment Cost Index (ECI, discussed on page 30) was

¹⁸ The current term, “basic pay,” was adopted in the Career Compensation Act of 1949, ch. 681, Pub. L. No. 81-351, §§ 201, 202, 63 Stat. 802, 805–9 (1949).

¹⁹ Service members who are entitled to basic pay are also entitled to basic allowance for subsistence (BAS) under Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402 and basic allowance for housing (BAH) under Basic Allowances of the Uniformed Services, 37 U.S.C. § 403. These allowances are discussed later in this report.

²⁰ Act of June 10, 1922 (Joint Service Pay Readjustment Act of 1922), ch. 212, Pub. L. No. 67-235, 42 Stat. 625 (1922).

²¹ The Career Compensation Act of 1949, ch. 681, Pub. L. No. 81-351, 63 Stat. 802 (1949).

²² The Act of May 20, 1958 (Uniformed Services Pay Act of 1958), Pub. L. No. 85-422, § 1(a), 72 Stat. 122, 122–23 (1958).

²³ The Act of December 16, 1967, Pub. L. No. 90-207, § 8(a), 81 Stat. 649, 649–50 (1967).

²⁴ Act of September 19, 1974, Pub. L. No. 93-419, § 4, 88 Stat. 1152, 1152–1153 (1974).

²⁵ Department of Defense Appropriation Authorization Act, 1977, Pub. L. No. 94-361, § 303(b), 90 Stat. 923, 925 (1976).

approximately 11 percent and, if not closed, could result in recruiting and retention problems.²⁶

- 2001–2006 – After 2004, ECI became the index for measuring the comparability of military pay (RMC) and civilian pay.²⁷ Military pay raises were set on average of 0.5 percent above ECI for each year, to attempt to close the military/civilian pay gap.²⁸ Also, some pay raises were targeted to specific grades and years of service.²⁹

National Guard

The first law establishing “a Uniform Militia throughout the United States” stated that free, able-bodied, white male citizens between the ages of 18 and 45 were, in effect, enrolled in the militia where they lived and required to furnish their own arms, ammunition, and accoutrements.³⁰ It also required that these men appear armed, equipped, and ready to meet the call to exercise or serve.³¹ The original acts empowered the militia to serve as State defense forces and to augment the regular forces of the United States in time of emergency—a mission that still exists today.

A companion law stated that militiamen “employed in the service of the United States” could receive identical pay and allowances as troops of the United States; but provided no pay for those “called out to exercise.”³²

Reserves

- 1916 – Federal funds used to pay for inactive-duty training were authorized.³³ For officers, the amount was \$500 per year for captains and higher-ranking officers, \$240 for first lieutenants, and \$200 for second lieutenants.³⁴ For enlisted personnel, the amount was 25 percent of the annual base pay for the individual’s rank.³⁵ The requirement to attend not less than 48 drills of at least 1.5 hours in duration was established.³⁶ The Army Reserve Officers’ Training Corps (ROTC) was created and an Officers’ Reserve Corps in which ROTC graduates could be commissioned was also established.³⁷ Furthermore, the Regular Army Reserve, composed of prior-service enlisted personnel, and the Enlisted Reserve Corps, composed of nonprior-service men qualified by virtue of their civilian occupations, was established.³⁸
- 1917 – Fleet Naval Reserve (FNR) personnel without any inactive duty or training became eligible for retainer pay. Enlisted with less than eight years of service were entitled to an annual retainer of \$50; those with between 8 and 12 years of service received \$72 per year; and those with more than 12 years received \$100 per year. Enlisted personnel who had transferred to the FNR after

²⁶ H.R. Rep. No. 100-563 (Committee on Armed Services), at 251-252 (1988).

²⁷ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 602, 117 Stat. 1392, 1498-1499 (2003).

²⁸ National Defense Authorization Act for FY 2000, Pub. L. No. 106-65, § 602(a), 113 Stat. 512, 649 (2000).

²⁹ Department of Defense, *Tenth Quadrennial Review of Military Compensation*, February 2008, 54, accessed May 14, 2014, <http://www.whs.mil/library/doc/Tenth.pdf>.

³⁰ The Act of May 8, 1792 (Militia Act of 1792), ch. 33, 1 Stat. 271 (1792).

³¹ *Ibid.*

³² The Act of May 8, 1792 (Militia Act of 1792), ch. 28, 1 Stat. 264 (1792).

³³ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, 39 Stat. 166 (1916).

³⁴ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, § 109, 39 Stat. 166, 209 (1916).

³⁵ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, § 110, 39 Stat. 166, 209-211 (1916).

³⁶ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, § 92, 39 Stat. 166, 206 (1916).

³⁷ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, § 40, 39 Stat. 166, 191 (1916).

³⁸ Act of June 3, 1916 (National Defense Act of 1916), ch. 134, Pub. L. No. 64-85, §§ 30 and 55, 39 Stat. 166, 209 (1916).

completion of at least 16 or 20 years of active naval service were entitled to retainer pay of one-third or one-half, respectively, of their base and longevity pay at the time of transfer. They were also entitled to an annual retainer equal to two months of basic pay of the corresponding rank in the Navy.³⁹

- 1920 – The Army reorganized into the Regular Army, the National Guard (while in Federal service), and the Organized Reserve.⁴⁰ National Guard personnel were entitled to compensation for inactive-duty training—also called “drill pay”—at the rate of one-thirtieth of monthly base pay for each regular drill or assembly.⁴¹ This method of computation became standard for all inactive-duty training pay and continues basically unchanged in existing law to this day.⁴² For officers, the pay was authorized only for drills of not less than 1.5 hours attended and participated in by at least 50 percent of the commissioned strength and 60 percent of the enlisted strength. The number of paid drills could not exceed five in any month; and no more than \$500 per year in drill pay could be paid to those above the grade of captain.⁴³ For enlisted personnel, paid drills could not exceed eight in a month or 60 in a year, and no pay was authorized for any month in which a member attended less than 60 percent of the drills or other exercises scheduled for his organization.⁴⁴
- 1924 – The number of drills for which National Guard officers could be paid changed from five per month with a maximum of 60 per year, to “not less than” 48 per year, and allowed the President to prescribe the minimum number of enlisted personnel and officers to be present at a drill to receive pay.⁴⁵
- 1925 – The Secretary of the Navy was given authority to require a four-year Reserve obligation for men enlisting in the Regular Navy after July 1, 1925. Personnel assigned to the FNR as a result of the obligation were entitled to an annual retainer of \$25 but were not required to perform any inactive-duty training.⁴⁶
- 1948 – Reserve pay was authorized at the rate of one-thirtieth of one month’s basic and longevity pay for each drill, rather than at the rate of one-thirtieth of one month of basic pay.⁴⁷ The inactive-duty training pay authority for all branches of service was also combined into one statute, and it fixed two hours instead of 1.5 hours as the minimum length of a period of drill or instruction required to qualify a member for the pay.⁴⁸
- 1952 – Six Reserve Components were established: the National Guard of the United States, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard, and the Air Force Reserve.⁴⁹ Members in an inactive or retired status were not eligible for inactive-duty training or the pay associated with it.⁵⁰
- 1988 – Reserve members were authorized to receive “incapacitation pay” equal to the pay and allowances of a member of a regular component of a uniformed

³⁹ Naval Service Appropriation Act of 1917, ch. 417, Pub. L. No. 64-241, 39 Stat. 556, 587-92 (1916).

⁴⁰ The Act of June 4, 1920, ch. 227, Pub. L. No. 66-242, § 3, 41 Stat. 759 (1920).

⁴¹ The Act of June 4, 1920, ch. 227, Pub. L. No. 66-242, § 47-48, 41 Stat. 759, 783-784 (1920).

⁴² Reserves; Members of National Guard: Inactive-Duty Training, 37 U.S.C. § 206(a).

⁴³ The Act of June 4, 1920, ch. 227, Pub. L. No. 66-242, § 47, 41 Stat. 759, 783-784 (1920).

⁴⁴ The Act of June 4, 1920, ch. 227, Pub. L. No. 66-242, § 48, 41 Stat. 759, 784 (1920).

⁴⁵ The Act of June 3, 1924, ch. 244, Pub. L. No. 68-186, § 2, 43 Stat. 363, 363-64 (1924).

⁴⁶ The Act of February 28, 1925, ch. 374, Pub. L. No. 68-512, § 1, 43 Stat. 1080 (1925).

⁴⁷ The Act of March 25, 1948, ch. 157, Pub. L. No. 80-460, § 3, 62 Stat. 87, 88-89 (1948).

⁴⁸ *Ibid.*

⁴⁹ The Armed Forces Reserve Act of July 9, 1952, ch. 608, Pub. L. No. 82-476, § 203, 66 Stat. 481, 483 (1952).

⁵⁰ The Armed Forces Reserve Act of July 9, 1952, ch. 608, Pub. L. No. 82-476, § 211(b), 66 Stat. 481, 485 (1952).

service if the member was physically disabled as the result of an injury, illness, or disease incurred or aggravated in the line of duty while performing active duty; in the line of duty while performing inactive-duty training; or while traveling directly to or from such duty or training.⁵¹ Any income earned by an incapacitated member from nonmilitary employment or self-employment during a month he or she would otherwise have been entitled to incapacitation pay reduces the amount of incapacitation pay the member actually receives on a dollar-for-dollar basis.⁵² Incapacitation pay may be paid for up to six months.⁵³

Financial Summary

In FY 2013, basic pay for the Active Component of DoD, the U.S. Coast Guard (USCG), and the National Oceanic and Atmospheric Administration (NOAA) Commissioned Corps totaled \$57.2 billion. In FY 2013, basic pay for the Reserve Components of DoD and USCG totaled \$10.8 billion.⁵⁴ Section 6.5 of this report contains 2014 pay tables.

Employment Cost Index Adjustment

The ECI is a measure of changes in wages and employer costs for employee benefits.⁵⁵ Created in the mid-1970s, the ECI is published quarterly by the Department of Labor's Bureau of Labor Statistics and is part of the Bureau's National Compensation Survey program, which provides measures of occupational wages, employment cost trends, and benefit incidence and detailed plan provisions.⁵⁶ Organizations use the ECI to inform their decision making in a variety of ways—including adjusting their wage rates to keep pace with their competitors' pay rates or adjusting wage rates in collective bargaining agreements. In addition, the Federal Government uses the ECI to inform its decision making.⁵⁷ For example, the Congress included a provision in the National Defense Authorization Act (NDAA) for FY 2004 tying the annual basic pay raise for military personnel to the ECI.⁵⁸ The law contains a provision allowing the President to propose alternative pay adjustments to the Congress, in certain circumstances, if the President deems the standard increase required by the law to be inappropriate.⁵⁹

3.1.2. BASIC ALLOWANCE FOR SUBSISTENCE

The purpose of basic allowance for subsistence (BAS) is to provide a cash allowance to members of the uniformed services to defray a portion of the cost of subsistence.⁶⁰ There are variations in the allowance to account for the unavailability of adequate messing facilities at some duty stations. BAS is nontaxable.⁶¹

⁵¹ National Defense Authorization Act for FY 1989, Pub. L. No. 100-456, § 631, 102 Stat. 1918, 1984–1985 (1988).

⁵² Ibid.

⁵³ Ibid.

⁵⁴ "Defense Budget Materials," Office of the Under Secretary of Defense (Comptroller), accessed May 15, 2014, <http://comptroller.defense.gov>.

⁵⁵ "Employment Cost Trends," Bureau of Labor Statistics, accessed May 14, 2014, <http://www.bls.gov/ncs/ect/home.htm>.

⁵⁶ U.S. Department of Labor, *Employment Cost Indexes 1975-1979*, accessed May 15, 2014, 1, <http://www.bls.gov/ncs/ect/sp/ecbl0014.pdf>.

⁵⁷ "Employment Cost Index Technical Note," Bureau of Labor Statistics, accessed May 15, 2014, <http://www.bls.gov/news.release/eci.tn.htm>.

⁵⁸ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 602, 117 Stat. 1392, 1498-1499 (2003).

⁵⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 1009.

⁶⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402.

⁶¹ Internal Revenue Code, 26 U.S.C. § 134. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 101(25). *Jones v. United States*, 60 Ct. Cl. 552 (1925).

Because BAS is intended to provide meals for the Service member, its level is linked to the price of food.⁶² Each year BAS is adjusted based on the increase of the price of food as measured by the U.S. Department of Agriculture (USDA) food cost index. This accounts for why the increase to BAS will not necessarily be the same percentage as that applied to the increase in the pay table, as annual pay raises are linked to the increase of private sector wages.⁶³

Beneficiaries

Each Active Component member, or Reserve Component member in active status, of a uniformed service who is entitled to basic pay is entitled to BAS.⁶⁴ At the end of FY 2013 approximately 1.4 million members of the military were eligible for BAS (approximately 1.3 million members of the Active Component of the military,⁶⁵ approximately 77,240 full-time support personnel in the Reserve Component,⁶⁶ and approximately 49,700 Federally-mobilized members of the Reserve Component⁶⁷). Some of these military members (i.e., basic trainees) did not receive a BAS payment, but rather received subsistence-in-kind at the location where they were stationed.⁶⁸

Historical Context

- 1922 – Officer subsistence allowances as a function of marital and dependency status were established.⁶⁹
- 1949 – BAS rates for officer and enlisted were established, applying one rate for officers and one for enlisted personnel.⁷⁰
- 1968 – Changes to RMC were tied to Civil Service General Schedule, but BAS was not part of adjustment (only basic pay).⁷¹
- 1974 – Raises were equally distributed for basic pay, BAQ, and BAS.⁷²
- 1977 – The President was given authority to give unequal raises among elements of RMC.⁷³
- 1998 – A new formula was established for DoD to determine BAS.⁷⁴ The plan moved enlisted members from a daily to a monthly payment schedule, thus ending a disparity between officer and enlisted payment calculations that had existed since enactment of the Career Compensation Act of 1949. The starting points for determining the BAS of enlisted and officer personnel remained

⁶² Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402(b).

⁶³ Ibid. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 1009(b).

⁶⁴ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402(a).

⁶⁵ Executive Office of the President, *FY 2015 Budget of the United States Appendix*, 233, accessed May 22, 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/appendix.pdf>.

⁶⁶ Ibid, 234.

⁶⁷ Deputy Director, Mobilization, Office of the Assistant Secretary of Defense for Reserve Affairs, e-mail to MCRMC, May 28, 2014.

⁶⁸ Basic Allowance for Subsistence (BAS) Policy, DoDD 1418.05, 4.1 (2003).

⁶⁹ The Act of June 10, 1922 (Joint Service Pay Readjustment Act of 1922), ch. 212, Pub. L. No. 67-235, § 5, 42 Stat. 625, 628 (1922). The President would set the rates based on the \$.60 rate set in FY 1922. The President would make this determination based on a certification by the Secretary of Labor. The connection between dependency status and allowance is that if a Service member had no dependents, then that Service member could not receive more than one subsistence allowance. A Service member could receive more subsistence allowances when that member moved up in “periods” as set forth in the law.

⁷⁰ The Career Compensation Act of 1949, ch. 681, Pub. L. No. 81-351, § 301, 63 Stat. 802, 812 (1949).

⁷¹ The Act of December 16, 1967, Pub. L. No. 90-207, § 8, 81 Stat. 649, 654 (1967).

⁷² The Act of September 28, 1974, Pub. L. No. 93-419, § 4, 88 Stat. 1152, 1152-1153 (1974). Service members’ basic pay, BAQ, and BAS would be adjusted upward whenever the General Schedule of compensation for Federal Classified Employees was adjusted upward. The upward adjustment of each element of compensation would be the same as the overall average percentage increase in the General Schedule of compensation for Federal Classified Employees.

⁷³ The Department of Defense Appropriation Authorization Act, 1977, Pub. L. No. 94-361, § 303, 90 Stat. 923, 925-26 (1976).

⁷⁴ National Defense Authorization Act for FY 1998, Pub. L. No. 105-85, § 602, 111 Stat. 1629 (1977).

different under the 1998 reform. Enlisted BAS amounts in a given year were to be based on the USDA average food cost figures in effect the previous October 1. The enlisted BAS was to be an amount halfway between the monthly cost of a “moderate-cost food plan” and the monthly cost of a “liberal food plan” for a male in the United States between ages 20 and 50, as established by the USDA. The officer BAS was to be based on the rate in effect for officers when the new legislation went into effect, then increased yearly by the same percentage as that by which the enlisted BAS increased. The 1998 legislation limited the yearly increase to 1 percent for both enlisted and officer personnel.⁷⁵

- 2001 – The formula for enlisted BAS was changed once again.⁷⁶ Because officers’ annual increase rates remained the same as those for enlisted personnel, this change had the same effect for both categories. Under the revised formula, beginning January 1, 2002, monthly BAS rates were to be adjusted at the beginning of every calendar year by the same percentage as that by which the USDA estimated that the cost of a “liberal food plan” for a male age 20 to 50 had increased over the previous year. By eliminating the 1-percent stipulation, this change made possible substantially larger annual increases. The 2001 legislation also brought the BAS rates of enlisted personnel with fewer than four months of service equal with those of all other enlisted personnel. All enlisted members received full BAS, but had to pay for their meals (including those provided by the Government).

Financial Summary

In FY 2013, BAS totaled \$4.7 billion for the Active Component of DoD and USCG, and \$749 million for the Reserve Component.⁷⁷

U.S. Department of Agriculture Market Basket

Monthly BAS rates are adjusted at the beginning of every calendar year by the same percentage by which the USDA estimates that the cost of a “liberal food plan” for a male age 20 to 50 has increased over the previous year.⁷⁸ In other words, the annual increase matches the national inflation rate for food.⁷⁹ These annual rate increases are published by the USDA, Center for Nutrition Policy and Promotion, as “Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average.”⁸⁰ The market basket of the Liberal Food Plans specifies the types and quantities of foods that people could purchase and prepare at home to obtain a nutritious diet using food expenditures in the top quartile of food spending.⁸¹

⁷⁵ Ibid.

⁷⁶ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, 114 Stat. 1654 (2000).

⁷⁷ “Defense Budget Materials,” Office of the Under Secretary of Defense (Comptroller), accessed May 15, 2014, <http://comptroller.defense.gov/AppropriatedBudgetData>, presented in Section 6.2 of this report.

⁷⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402(b)(1)(B).

⁷⁹ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 192, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

⁸⁰ “Cost of Food at Home,” U.S. Department of Agriculture, accessed May 15, 2014,

<http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>. U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, *The Low-Cost, Moderate-Cost, and Liberal Food Plans, 2007, CNPP-20, ES-1*, accessed May 14, 2014, <http://www.cnpp.usda.gov/publications/foodplans/miscpubs/foodplans2007adminreport.pdf>.

⁸¹ Ibid.

Effective January 1, 2014, the BAS rates increased 1.5 percent from 2013 rates. The monthly BAS rate for officers in 2014 is \$246.24, and for enlisted is \$357.55.⁸²

3.1.3. BASIC ALLOWANCE FOR HOUSING

Basic allowance for housing (BAH) is a U.S.-based allowance that enables military personnel to obtain adequate civilian housing for themselves and their dependents when government quarters are not available or provided.⁸³ BAH is nontaxable.⁸⁴

In general, the amount of BAH depends on a Service member's location, pay grade, and dependency status.⁸⁵ Under most circumstances, the BAH amount is calculated based on the location where Service members are assigned, not where they live. There are several types of BAH to satisfy various housing situations that occur among Service members. Each type of BAH is described below.⁸⁶

BAH (with dependents and without dependents) is provided to members assigned on permanent duty within the 50 United States, who are not furnished with government housing.⁸⁷ Members stationed outside the continental United States (OCONUS), who are not furnished government housing, receive an Overseas Housing Allowance (OHA) based on the member's dependency status.⁸⁸ If serving an unaccompanied overseas tour, the member is eligible for BAH at the "with dependents" rate, based on the dependent's U.S. residence ZIP code, plus OHA at the "without dependents" rate, if the member is not furnished government housing overseas.⁸⁹

Partial BAH is compensation for Service members without dependents who may live in government quarters where the housing standards are below those for off-post housing.⁹⁰

BAH II (Reserve Component/Transit) (BAH-II (RC/T)) is provided to members in particular circumstances, for example, Reservists who are on active duty less than 30 days.⁹¹ It also applies to members in transit from selected areas where no prior BAH rate existed.⁹² BAH-II (RC/T) rates do not vary by geographic location, but were set based on the old BAQ, which was based on the national average for

⁸² Defense Finance and Accounting Service, *Military Pay Table 2014*, accessed May 22, 2014, <http://www.dfas.mil/dam/dfas/militarymembers/pdf/MilPayTable2014.pdf>. U.S. Department of Agriculture, *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, October 2013*, accessed May 15, 2014, <http://www.cnpp.usda.gov/Publications/FoodPlans/2013/CostofFoodOct2013.pdf>. U.S. Department of Agriculture, *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, October 2012*, accessed May 15, 2014, <http://www.cnpp.usda.gov/Publications/FoodPlans/2012/CostofFoodOct2012.pdf>.

⁸³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403.

⁸⁴ Internal Revenue Code, 26 U.S.C. § 134. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 101(25). *Jones v. United States*, No. 60 Ct. Cl. 552 (1925).

⁸⁵ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403.

⁸⁶ "Different Types of BAH," Under Secretary of Defense (P&R), accessed May 16, 2014, <http://militarypay.defense.gov/pay/DifferentBAH.html>.

⁸⁷ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(a).

⁸⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(c).

⁸⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(d).

⁹⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(n).

⁹¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(g).

⁹² Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(i).

housing.⁹³ BAH-II rates are published annually and are determined by increasing the previous year's table by the percentage growth of housing costs.⁹⁴

BAH-Differential (BAH-DIFF) is provided to members who are assigned to single-type quarters and are authorized a BAH solely by reason of the member's payment of child support.⁹⁵ A member is not entitled to BAH-DIFF if the monthly rate of that child support is less than the BAH-DIFF.⁹⁶

Beneficiaries

BAH is provided to all Active Component members, and all Reserve Component members in active status, whose assigned permanent duty station is within the 50 United States, and who are not furnished with government housing. Members stationed OCONUS, who are not provided with government housing, are eligible for OHA.

Historical Context

The following are the highlights of the legislative history of BAH:

- 1918 – Dependency status was introduced as a factor for receiving the allowance. Prior to that time, the Service member had to personally occupy the quarters to be reimbursed.⁹⁷
- 1922 – A rental allowance system was substituted for commutation of quarters, heat, and light. The basis used to compute the rental allowance was the average monthly cost in the United States of renting one room.⁹⁸ Both enlisted and officers were given a rental allowance with officers receiving a lower amount.⁹⁹
- 1942 – A system of rates based on pay grade and dependency status was established.
- 1949 – The nomenclature of “rental allowance” changed to “basic allowance for quarters” (BAQ). Chartered by the Secretary of Defense, the Advisory Commission on Service Pay (popularly known as the Hook Commission) recommended BAQ rates by pay grade, with and without dependents, with the goal of achieving housing accommodation equal to 75 percent that of comparable civilian income groupings with comparable dependent statuses.¹⁰⁰
- 1971 – The BAQ rate was increased to achieve 15 percent of out-of-pocket costs of the median for Federal Housing Administration rates for comparable income groups.¹⁰¹
- 1974 – The practice of increasing BAQ in accordance with rate of increase of military pay raise began.¹⁰²
- 1977 – The President was authorized to reallocate pay raises among pay and allowances in an unequal manner to accommodate changes in housing and subsistence costs.¹⁰³

⁹³ Housing Allowances, JFTR U10002(B)(6)-(7) (2014) (Change 329).

⁹⁴ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(b).

⁹⁵ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(m).

⁹⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(m)(2).

⁹⁷ Act of April 16, 1918, ch. 53, Pub. L. No. 65-131, 40 Stat. 530 (1918).

⁹⁸ Act of June 10, 1922 (Joint Service Pay Readjustment Act of 1922), ch. 212, Pub. L. No. 67-235, 42 Stat. 625 (1922).

⁹⁹ *Ibid.*

¹⁰⁰ The Career Compensation Act of 1949, ch. 681, Pub. L. No. 81-351, 63 Stat. 802 (1949).

¹⁰¹ The Act of September 28, 1971 (Military Selective Service Act of 1967 Amendments), Pub. L. No. 92-129, §§ 204 and 206, 85 Stat. 348, 359 (1971).

¹⁰² Act of September 19, 1974, Pub. L. No. 93-419, § 4, 88 Stat. 1152, 1152-1153 (1974).

- 1980 – Variable Housing Allowance (VHA) was established to work in conjunction with BAQ to provide for geographical differences in housing costs.¹⁰⁴
- 1985 – Adjustments to BAQ and VHA were made so that Service members paid no more than 15 percent of out-of-pocket costs for housing. Adjustments were no longer tied to basic pay raises.¹⁰⁵
- 1998 – BAH was established. BAQ and VHA merged into one allowance. Local housing allowance rates were based on average costs in the area rather than actual member expenditures.¹⁰⁶
- 2001-2005 – The 15 percent of out-of-pocket costs to the member gradually moved into the BAH rate structure.¹⁰⁷ Since BAH is based on median rental prices, Service members whose rental price was greater than the median, or those who purchased residences, may have incurred out-of-pocket costs.¹⁰⁸

Financial Summary

In FY 2013, BAH totaled \$20.7 billion for the Active Component and \$2.3 billion for the Reserve Component of DoD.¹⁰⁹

Survey Adjustments

BAH is calculated based on median rental housing costs, which include current fair-market rent, average utilities, and renters' insurance.¹¹⁰ BAH rates are protected by statute, so members do not experience a reduction in BAH as long as they maintain "uninterrupted eligibility" for BAH.¹¹¹ Individuals are authorized the January 1 rate for their respective grade and location or the housing allowance being paid on December 31 of the previous year, whichever is larger.¹¹²

There are three situations in which a member may receive a lower BAH. The first is if the member is assigned and moves (permanent change of station) to a location at which the housing cost is less than at the previous duty station.¹¹³ At the new duty station the member may receive a lower housing allowance, but the member should be no worse off, because the allowance is driven by the housing costs at the new location.¹¹⁴ Second, if members are demoted, their housing allowance reverts to the current published BAH rates at the location at the members' lower rank.¹¹⁵ Finally, if members' dependency status changes from with-dependents to without-dependents,

¹⁰³ Department of Defense Appropriation Authorization Act, 1977, Pub. L. No. 94-361, § 303(b), 90 Stat. 923, 925 (1977).

¹⁰⁴ Military Personnel and Compensation Amendments of 1980, Pub. L. No. 96-343, § 4, 94 Stat. 1123, 1125 (1980).

¹⁰⁵ Department of Defense Authorization Act, 1985, Pub. L. No. 98-525, § 602(1f)(3), 98 Stat. 2492, 2533-2534 (1984).

¹⁰⁶ National Defense Authorization Act for FY 1998, Pub. L. No. 105-85, § 603, 111 Stat. 1775 (1997).

¹⁰⁷ National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, 114 Stat. 1654 (2000). Statute removed section that permitted up to 15 percent of out-of-pocket costs, and the Secretary of Defense implemented the removal of the out-of-pocket costs by gradually reducing out-of-pocket costs over the 2001-2005 period.

¹⁰⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(b).

¹⁰⁹ "Defense Budget Materials," Office of the Under Secretary of Defense (Comptroller), accessed May 15, 2014, <http://comptroller.defense.gov>. Appropriated Budget Data, presented in Section 6.2 of this report.

¹¹⁰ Housing Allowances, JFTR U10002(A), April 1, 2014.

¹¹¹ Basic Allowances for Housing, 37 U.S.C. § 403(b)(6).

¹¹² Ibid.

¹¹³ Housing Allowances, JFTR U10004, May 1, 2014 (Change 329).

¹¹⁴ Ibid.

¹¹⁵ Ibid.

the housing allowance will change to the current BAH rate in the new dependency status at members' current rank and location.¹¹⁶

The overall 2014 BAH rates, which took effect January 1, 2014, increased an average of five percent.¹¹⁷ On average, BAH rates for members with dependents increased approximately \$79 per month and \$76 for members without dependents.¹¹⁸ As stated above, BAH is based on median rental prices, so Service members whose rental price is greater than the median, or those who purchase residences, may incur out-of-pocket costs.¹¹⁹

3.1.4. FEDERAL INCOME TAX ADVANTAGE

According to the *Military Compensation Background Papers*, a legislative and regulatory history of military compensation, benefits, and manpower cost items, published by the Department of Defense as an authoritative reference tool:

The Federal income tax advantage attributed to members of the uniformed services derives from the non-taxable status of the basic allowance for subsistence (BAS) and basic and overseas housing allowances (BAH and OHA, respectively), and Congress's determination that those allowances be treated as part of regular military compensation, along with basic pay.

The origin of the tax advantage attributed to military personnel can be traced to a 1925 decision of the United States Court of Claims that held that neither the provision of certain items in kind to uniformed services personnel, nor the payment of an allowance in commutation thereof, was subject to Federal income taxation under a remote precursor of the present-day Internal Revenue Code.

With the subsequent extension of the rationale underlying this decision both to other items provided in kind and to allowances paid in lieu thereof, the tax advantage is appropriately seen as a more or less incidental by-product of the way Congress has chosen to pay military personnel—namely, the pay plus non-taxable allowances system of military compensation.¹²⁰

Conceptually, an individual Service member's tax advantage is the added amount of taxable income the member would have to receive in cash if their quarters and subsistence allowances were suddenly to become subject to Federal income taxation. The purpose of the tax advantage is to ensure Service members are as well off in after-Federal-tax income as under the existing system of taxable pay and nontaxable allowances. A great many factors can influence any given member's actual tax advantage—including, for example, filing status (married, single, head of household, etc.), additional family income, number of dependents, etc.

¹¹⁶ Ibid.

¹¹⁷ "Department of Defense Releases 2014 Basic Allowance for Housing Rates," Department of Defense, accessed May 15, 2014, <http://www.defense.gov/releases/release.aspx?releaseid=16434>.

¹¹⁸ Ibid.

¹¹⁹ Basic Allowances for Housing, 37 U.S.C. § 403(b).

¹²⁰ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 197, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

Beneficiaries

All Service members who are paid BAH, BAS, or any other tax-excluded pays, benefit from the Federal income tax advantage.¹²¹

Historical Context

The following are legislative highlights in the development of the Federal income tax advantage:

- 1861 – As a result of the costs of the Civil War, the first income tax was established. Military members' pay was not excluded from taxation.¹²²
- 1913 – Income tax mostly lapsed until 1913, with the passage of the 16th amendment to the Constitution reestablishing Federal income tax.¹²³
- 1925 – Court of Claims (*Jones* case) decision ruled that military members did not need to include the fair market rental value of in-kind housing as “gross income,” nor did they need to include any cash allowances paid in lieu thereof.¹²⁴
- 1967 – Increases in RMC were tied to Civil Service pay, but targeted only to basic pay, not BAQ and BAS, thus avoiding increasing the tax advantage.¹²⁵
- 1974 – Raises were applied to all elements of RMC and tax advantage increased proportionally.¹²⁶

Financial Summary

There is no cost per se to DoD for the Federal income tax advantage provided to Service members.

3.2. SPECIAL AND INCENTIVE PAYS

Some Service members receive special and incentive pays in addition to basic pay, housing, and subsistence.¹²⁷ The first special and incentive pays were intended to provide enlistment and reenlistment incentives.¹²⁸ More recent special and incentive pays were intended to compensate members exposed to conditions more hazardous than those experienced by the average member of the uniformed services during peacetime.¹²⁹ Today, the military services often use special and incentive pays to induce members to volunteer for certain career fields that would, without those incentives, experience staffing shortfalls.¹³⁰ Aviation career incentive pay¹³¹ and nuclear officer incentive pay¹³² are examples of special and incentive pays that are

¹²¹ Internal Revenue Code, 26 U.S.C. § 134. *Jones v. United States*, 60 Ct. Cl. 552 (1925).

¹²² Revenue Act of 1861, ch. 45, 12 Stat. 292 (1861). Military pay is not explicitly excluded from this original tax code.

¹²³ S.J. Res. 40, 61st Cong., 36 Stat. 184 (Enacted February 25, 1913).

¹²⁴ *Jones v. United States*, 60 Ct. Cl. 552 (1925).

¹²⁵ Act of December 16, 1967, Pub. L. No. 90-207, § 8, 81 Stat. 649, 654-655 (1967).

¹²⁶ Act of September 19, 1974, Pub. L. No. 93-419, § 4, 88 Stat. 1152, 1152-1153 (1974).

¹²⁷ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301-374.

¹²⁸ Act of March 3, 1791, ch. 28, § 4, 1 Stat. 222 (1791). This act provides a “bounty” for each noncommissioned officer, private, and musician who enlisted pursuant to the act. Act of March 3, 1975, ch. 44, § 6, 1 Stat. 430 (1975). This act provides a “bounty” of \$16 to each soldier who reenlisted pursuant to the act.

¹²⁹ See, e.g., Pay and Allowances of the Uniformed Services, 37 U.S.C. § 301.

¹³⁰ See, e.g., Military Pay Policy: Active Duty Reserve Pay, DoD FMR 7000.14-R, Volume 7a, Chapter 9, ¶ 090101 (2012).

¹³¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301a, 301b.

¹³² Pay and Allowances of the Uniformed Services, 37 U.S.C. § 333(b).

used to balance the supply of personnel willing to enter and remain in critical military career fields.

Historical Context

In 2008, in response to recommendations of the Defense Advisory Committee on Military Compensation and the Tenth Quadrennial Review of Military Compensation, the Congress consolidated the 65 categories of special and incentive pays into eight general bonus authorities.¹³³ The consolidation retained two additional special pays—the career status bonus associated with members choosing the REDUX retirement plan and a retention incentive for members qualified in critical skills or assigned to high-priority units.¹³⁴ The Congress provided the Secretaries of Defense, Homeland Security, Health and Human Services, and Commerce 10 years to transition the previous special and incentive pay authorities to the new consolidated authorities in 37 U.S.C. §§ 331–355.¹³⁵ Under the new system, most special and incentive pays will be classified under one of the following broad legislative authorities: Enlisted Force Management, Officer Force Management, Nuclear Officer Force Management, Aviation Officer Force Management, Health Professions Officer Management, Hazardous Duty Pay, Assignment or Special Duty Pay, and Skill Incentive/Proficiency Pay.¹³⁶

DoD is still implementing the transition to the consolidated authorities. The Services still continue to use some of the legacy special and incentive pay authorities, as well as some of the new consolidated authorities, during this transition.¹³⁷ The categories below describe the types of special and incentive pays—both the new consolidated pays as well as the legacy special and incentive pays. Note that the legacy statutes may be implemented using different consolidated special pay authorities once DoD's transition to the new authorities is complete.

Beneficiaries

Service members who meet specific eligibility criteria receive corresponding special and incentive pays, as described in the following sections.

Financial Summary

In FY 2013, special and incentive pays totaled \$4.2 billion for DoD, USCG, and the NOAA Commissioned Corps.¹³⁸

3.2.1. ASSIGNMENT PAY/SPECIAL DUTY PAY

Military members may be eligible for special pays if they are assigned jobs that are considered unusually demanding, at locations that have living conditions below U.S. standards, or have responsibilities that are considered greater than normal for someone of the same rank.¹³⁹

¹³³ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 661(a), 122 Stat. 3, 163-178 (2008).

¹³⁴ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, §§ 661(b), 661(c), 122 Stat. 3, 178 (2008).

¹³⁵ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 662(b), 122 Stat. 3, 180 (2008).

¹³⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 331–335.

¹³⁷ Assistant Director, Special and Incentive Pays, OSD(P&R), e-mail to MCRMC, February 28, 2014.

¹³⁸ “Defense Budget Materials,” Office of the Under Secretary of Defense (Comptroller), accessed May 15, 2014, <http://comptroller.defense.gov>.

¹³⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301c, 305, 305a, 306, 306a, 307, 308d, 314, 352.

Assignment Incentive Pay (AIP) is used to compensate Service members for certain unusual and extended assignments.¹⁴⁰ Members who voluntarily extend their tours of duty overseas, for example in Afghanistan or South Korea, may be eligible for AIP.¹⁴¹ Also, AIP is used to extend military service for members with critical skills, such as those required for intelligence career fields.¹⁴²

Hardship Duty Pay (HDP) is additional compensation paid to Service members assigned to locations where living conditions are substantially below those conditions in the continental United States.¹⁴³ HDP is intended to recognize the extraordinarily arduous living conditions, excessive physical hardship, and/or unhealthful conditions that exist at a location or assignment.¹⁴⁴ Members may receive HDP for performing designated hardship missions.¹⁴⁵

Finally, there are special pays for demanding assignments. For example, career sea pay is a special payment in recognition of the greater than normal rigors of sea duty, the arduous duty involved in long deployments, the repetitive nature of assignment to such duty, as well as to compensate sailors for the separation from home and family required of sea duty.¹⁴⁶ There are also pays for members who are executing the duties of a position with responsibilities beyond those normal for officers or enlisted personnel of the same rank.¹⁴⁷

3.2.2. AVIATION OFFICER INCENTIVE PAY AND BONUS AUTHORITIES

Aviation officer incentive pay and bonus authorities¹⁴⁸ provide additional pay for aviation service to increase the ability of the uniformed services to attract and retain officers in military aviation careers. Providing these special pays allows the uniformed services to provide compensation for aviators that is competitive with the civilian aviation industry.¹⁴⁹ These pays are provided to members who maintain an aeronautical rating.¹⁵⁰

¹⁴⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 307, 307a. Assignment Incentive Pay, DoDI 1340.26 (2013). Security Cooperation Policy, DoD FMR 7000.14-R, Chapter 15 (2013).

¹⁴¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 314.

¹⁴² See, e.g., Security Cooperation Policy, DoD FMR 7000.14-R, Chapter 15 (2013). Entitlement of AIP as part of Voluntary Extension Program for Army Intelligence Assets Program.

¹⁴³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 305. Special Pay: Hardship Duty, DoD FMR 7000.14-R, Chapter 17 (2012).

¹⁴⁴ "Hardship Duty Pay," OUSD(P&R), accessed May 15, 2014, <http://militarypay.defense.gov/pay/hdp.html>.

¹⁴⁵ Location Assignment Entitlement, DoD FMR 7000.14-R, 170103 (2012).

¹⁴⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 305a.

¹⁴⁷ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 306.

¹⁴⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301a, 301b, 334.

¹⁴⁹ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 281-302, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

¹⁵⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301a, 301b, 334. Aviation Service of Rated Army Officers, AR 600-105, 4 (2010). Aviation and Parachutist Service, Aeronautical Ratings, and Aviation Badges, AFI 11-402, 18 (2013).

3.2.3. BONUS AND INCENTIVE PAY AUTHORITIES FOR NUCLEAR OFFICERS

Bonus and incentive pay authorities for nuclear officers¹⁵¹ encourage accessions into the Navy's nuclear-power officer community and provide an inducement for nuclear-trained and nuclear-qualified Navy officers to continue active service upon completion of their service obligation.¹⁵² It is essential to retain experienced nuclear-trained officers and a steady accession of qualified junior officers in the nuclear propulsion program to facilitate operation of the Navy's nuclear-powered warships. The requisite number of officers qualified for duties connected to supervising, operating, and maintaining naval nuclear propulsion plants can only be produced at a gradual rate. These authorities provide incentive for officers to join and remain in the nuclear propulsion program.¹⁵³

3.2.4. GENERAL BONUS AUTHORITIES FOR OFFICERS AND ENLISTED

These bonus authorities are used to bring new officers and enlisted personnel into service through officer accession and enlistment bonuses.¹⁵⁴ In general, these bonuses are used to bring personnel into the military to work in occupational fields that are critical to the military services and have staffing shortfalls, but also have been used to increase the size of the U.S. military force in times of war or national emergency.¹⁵⁵

For those officers and enlisted already in military service, the Services also provide select personnel continuation (for officers) and reenlistment (for enlisted) bonuses.¹⁵⁶ These bonuses are offered to personnel who have skills the Services would like to keep due to staffing requirements as a result of operational needs, experience requirements, or due to the large training investment costs that the military service made for the member to acquire and retain a specific skill.¹⁵⁷ Also, there are bonuses to encourage personnel to transition from well-staffed occupational fields into occupational fields experiencing a shortage of qualified personnel.¹⁵⁸

Finally, this category of bonuses includes those used to encourage personnel who might leave service to move between a military Service's Active and Reserve Components, or potentially transfer to another Service.¹⁵⁹ These bonuses allow the

¹⁵¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 312, 312b, 312c, 333.

¹⁵² Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members, DoDI 1304.29, § 3.1 (2004).

¹⁵³ Nuclear Officer Incentive Pay Program, OPNAVINST 7220.11D, 2 (2012).

¹⁵⁴ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 308, 308b, 308c, 308g, 308h, 308i, 308j, 309, 315, 319, 321, 324, 326, 327, 330, 331, 332. *See also* Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members, DoDI 1304.29, § 3.1 (2004).

¹⁵⁵ DoD FMR 7000.14-R, Volume 7a, Chapter 9, 090101 (2012).

¹⁵⁶ *See, e.g.*, Enlistment Bonus (EB) Program, OPNAVINST 1160.9 (2007).

¹⁵⁷ *Ibid.*, 2.

¹⁵⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 326.

¹⁵⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 327.

military to retain skilled personnel and reduce training costs. They also have been used when Services needed to increase their end strength.¹⁶⁰

3.2.5. HAZARDOUS DUTY PAY

Hazardous duty pays cover duty that is considered hazardous based on the inherent danger and possibility for physical injury associated with the duty, as well as special pays associated with duty at locations that are unsafe or expose the member to hostile fire.¹⁶¹ Occupations considered hazardous include parachute jumping, demolition of explosives, handling toxic fuels, and ship flight deck duty.¹⁶² Hostile Fire Pay is paid when military commanders certify that military members are (1) subjected to hostile fire or explosion of a hostile mine, (2) on duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other members subjected to hostile fire or explosion of hostile mines, (3) killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action, or (4) was on duty in a foreign area in which the member was subject to the threat of physical harm or imminent danger on the basis of civil insurrection, civil war, terrorism, or wartime conditions.¹⁶³ The Office of the Under Secretary of Defense for Personnel and Readiness reviews imminent danger pay area designations, based on the recommendations of Combatant Commanders, and makes changes to the locations where members are eligible for imminent danger pay.¹⁶⁴ Some of the countries currently considered areas where military members may be in imminent danger are Iraq, Afghanistan, Lebanon, Jordan, Pakistan, and Yemen.¹⁶⁵

3.2.6. HEALTH PROFESSION OFFICER INCENTIVE PAY AND BONUS AUTHORITIES

Health profession officer incentive pay and bonus authorities¹⁶⁶ are used to attract and retain a sufficient number of qualified health professionals to meet the health-care demands of the uniformed services.¹⁶⁷ Over time, the uniformed services have experienced shortages in medical personnel, particularly those in high demand in the civilian sector, who could obtain high civilian salaries.¹⁶⁸ A wide variety of health professions are covered by these bonus and special pay authorities including doctors, dentists, nurses, pharmacists, psychologists, and veterinarians.¹⁶⁹ Some health professionals may receive bonuses if their specialty is a critical wartime specialty.¹⁷⁰

¹⁶⁰ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 519-531, 561, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

¹⁶¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301, 305b, 310, 351. The types of duty that are considered to be particularly hazardous are listed in the statute.

¹⁶² Pay and Allowances of the Uniformed Services, 37 U.S.C. § 301(a).

¹⁶³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 310(a)(2).

¹⁶⁴ Hostile Fire Pay and Imminent Danger Pay, DoDI 1340.09, Enclosure 1 (2010).

¹⁶⁵ Special Pay: Duty Subject to Hostile Fire or Imminent Danger, DoD FMR 7000.14-R, Figure 10-1.

¹⁶⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301d, 301e, 302, 302a, 302b, 302c, 302d, 302e, 302f, 302g, 302h, 302i, 302j, 302k, 302l, 303, 335.

¹⁶⁷ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 429, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

¹⁶⁸ *Ibid.*, 429-485.

¹⁶⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 301d, 301e, 302, 302a, 302b, 302c, 302d, 302e, 302f, 302g, 302h, 302i, 302j, 302k, 302l, 303, 335.

¹⁷⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 302g, 302k.

3.2.7. SKILL INCENTIVE PAY/PROFICIENCY BONUS

Military members may be eligible for special pays to attain and maintain proficiency in skills considered critical to the Services that often require substantial training to obtain proficiency.¹⁷¹ For example, the Services offer foreign language proficiency pay to members who learn and are proficient in languages that are critical to national defense.¹⁷² As the member's proficiency increases, the rate of pay increases.¹⁷³

3.3. SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING

Special Compensation for Assistance with Activities of Daily Living (SCAADL) is monthly compensation provided to a Service member with a catastrophic injury or illness incurred or aggravated in the line of duty. This compensation applies when that Service member requires assistance with daily living or is at high risk of personal injury and cannot live independently without caregiver support.¹⁷⁴ The purpose of SCAADL is to compensate designated caregivers for the time and assistance they provide to a catastrophically injured or ill Service member.¹⁷⁵

The amount of the compensation is based on the Service member's dependency, amount of caregiver assistance required, and the local wage rate for a home health aide in the member's geographical location (based on U.S. Bureau of Labor Statistics data).¹⁷⁶ The payments are taxable income for the Service member.¹⁷⁷ Members receive these payments until 90 days after they separate from the military, or until they start receiving compensation under the Department of Veterans Affairs Caregiver Program, or until the time when they are no longer afflicted with the catastrophic injury or illness.¹⁷⁸

Beneficiaries

The number of Service members who received SCAADL payments in FY 2012 totaled 840.

Historical Context

SCAADL was authorized by the NDAA for FY 2010 (Pub. L. No. 111-84).¹⁷⁹

Financial Summary

The amount paid out for SCAADL in FY 2012 totaled \$9,324,186.¹⁸⁰

¹⁷¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 304, 316, 316a, 317, 320, 353.

¹⁷² Pay and Allowances of the Uniformed Services, 37 U.S.C. §§ 316, 316a.

¹⁷³ Foreign Language Proficiency Bonus, DoD FMR 7000.14-R, Volume 7a, Chapter 19, Table 19-1 (2013). (Monthly entitlement increases as the Service member's proficiency increases.)

¹⁷⁴ Special Compensation for Assistance With Activities of Daily Living (SCAADL), DoDI 1341.12, 1 (2012).

¹⁷⁵ Special Compensation for Assistance With Activities of Daily Living (SCAADL), DoDI 1341.12, Enclosure 3, 6 (2012).

¹⁷⁶ Special Compensation for Assistance With Activities of Daily Living (SCAADL), DoDI 1341.12, Enclosure 3, 8-10 (2012).

¹⁷⁷ Ibid.

¹⁷⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 439(d).

¹⁷⁹ National Defense Authorization Act for FY 2010, Pub. L. No. 111-84, § 603(a), 123 Stat. 2190, 2348-2350 (2009).

3.4. RETIREMENT

The military retirement system is a funded, noncontributory defined benefit plan that includes nondisability retired pay, disability retired pay, retired pay for Reserve service, survivor annuity programs, and compensation programs for certain disabled retirees, as outlined in the following sections.

The military retirement system applies to members of the Army, Navy, Marine Corps, and Air Force.¹⁸¹ Additionally, most of the provisions apply to retirement systems for members of USCG (administered by the Department of Homeland Security),¹⁸² officers of USPHS (administered by the Department of Health and Human Services),¹⁸³ and officers of NOAA (administered by the Department of Commerce).¹⁸⁴

3.4.1. REGULAR (NONDISABILITY) RETIREMENT

There are three distinct nondisability benefit formulas related to three populations within the military retirement system.

Final Pay

- Military personnel who first became members of a uniformed service before September 8, 1980, have retired pay equal to final basic pay times a multiplier.¹⁸⁵ The multiplier is equal to 2.5 percent multiplied by years of service.¹⁸⁶

High-36 (also known as High-3)

- If the retiree first became a member of a uniformed service on or after September 8, 1980, the average of the highest 36 months of basic pay is used instead of final basic pay.¹⁸⁷

Career Status Bonus/REDUX

- Military personnel who first became members of a uniformed service on or after August 1, 1986, may choose between a High-36 and Career Status Bonus (CSB)/REDUX retirement.¹⁸⁸
- Those who elect CSB/REDUX receive the CSB outlined below, also have retired pay computed on a base of the average of their highest 36 months of basic pay, but are subject to a multiplier penalty if they retire with less than 30 years of service; however, at age 62, their retired pay is recomputed without the multiplier penalty.¹⁸⁹

¹⁸⁰ Personnel Analyst, OSD(P&R), e-mail to MCRMC, March 14, 2014. (FY 2012 SCAADL data is the most current data confirmed by OSD).

¹⁸¹ Armed Forces, 10 U.S.C. §§ 3411, 3414, 6323, 6330, 8911, 8914.

¹⁸² Coast Guard, 14 U.S.C. §§ 291, 355.

¹⁸³ The Public Health and Welfare, 42 U.S.C. § 212.

¹⁸⁴ Navigation and Navigable Waters, 33 U.S.C. § 3044.

¹⁸⁵ Armed Forces, 10 U.S.C. § 1406.

¹⁸⁶ Armed Forces, 10 U.S.C. § 1409.

¹⁸⁷ Armed Forces, 10 U.S.C. § 1407.

¹⁸⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 354.

¹⁸⁹ Armed Forces, 10 U.S.C. § 1409(b)(2).

- Members make their election during the 15th year of service and may receive the CSB of \$30,000 in either a lump-sum or installments.¹⁹⁰
- Those who elect CSB/REDUX must remain continuously on active duty until they complete 20 years of active-duty service or forfeit a portion of the \$30,000 (exceptions include death and disability retirement).¹⁹¹

Retired pay and survivor annuity benefits are automatically adjusted annually to protect the purchasing power of initial retired pay.¹⁹² Members first entering the uniformed services before August 1, 1986, and those entering on or after that date who do not take the CSB, have their benefits adjusted annually by the percentage increase in the average Consumer Price Index (CPI).¹⁹³ This is commonly referred to as full CPI protection. Benefits associated with members entering on or after August 1, 1986, who elect the \$30,000 CSB payment, are annually increased by the percentage change in the CPI minus 1.0 percent (except when the change in the CPI is less than 1.0 percent).¹⁹⁴ However, when the military member's age is 62, or when the member would have been age 62 for a survivor annuity, the benefits are restored to the amount that would have been payable had full CPI protection been in effect.¹⁹⁵ After this restoral, partial indexing (CPI minus 1.0 percent) continues for future retired pay and survivor annuity payments.¹⁹⁶

Beneficiaries

As of September 30, 2013, there were 1.47 million nondisability retirees from active duty receiving retired pay. In FY 2013, 30,847 members retired with nondisability retirements from the Active Component.¹⁹⁷

Historical Context

In the mid-19th century, the U.S. Navy adopted a retired program for which officers were paid roughly 75 percent of their normal pay, but asked to leave active duty to make way for junior officers coming through the ranks.¹⁹⁸ Other significant legislative changes to the system include:

- 1861 – Voluntary retirement after 40 years of service was authorized.¹⁹⁹
- 1882 – Retirement at age 64 was made mandatory for all Services.²⁰⁰
- 1899 – Voluntary retirement for Navy enlisted personnel after 30 years of service was authorized.²⁰¹
- 1916 – A retirement system was enacted in conjunction with an up-or-out promotion system. Retirement was based on age and years of service.²⁰²
- 1920 – Class B officers (failed to promote) were retired with as little as 10 years of service.²⁰³

¹⁹⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 354.

¹⁹¹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 354(f).

¹⁹² Armed Forces, 10 U.S.C. § 1401a.

¹⁹³ Ibid.

¹⁹⁴ Armed Forces, 10 U.S.C. § 1401a(b)(3).

¹⁹⁵ Armed Forces, 10 U.S.C. § 1410.

¹⁹⁶ Armed Forces, 10 U.S.C. § 1401a(b)(3).

¹⁹⁷ Department of Defense, Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year 2013*, May 2014, 57, accessed June 6, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

¹⁹⁸ Act of February 28, 1855, ch. 127 § 1, 10 Stat. 616 (1855).

¹⁹⁹ Act of August 3, 1861, ch. 42, 12 Stat. 287 (1861).

²⁰⁰ Act of June 30, 1882, ch. 254, 22 Stat. 110 (1882).

²⁰¹ Act of March 3, 1899, ch. 413, 30 Stat. 1004 (1899).

²⁰² Act of August 29, 1916, ch. 417, Pub. L. No. 64-241, 39 Stat. 556, 579 (1916).

- 1926 – The integrated Navy officer promotion/involuntary retirement system was changed from age-in-grade to service-in-grade program.²⁰⁴
- 1945 – The basic structure of the current defined-benefit, 20-year retirement system was originally created for the Army by the Armed Forces Voluntary Recruitment Act of 1945. Mandatory retirement points and 2.5 percent as standard multiplier were established.²⁰⁵
- 1946-1948 – Follow-on legislation for Navy, Marine Corps, and enlisted took place in 1946²⁰⁶ and for the Air Force in 1947.²⁰⁷
- 1981 – The annuity changed from a final pay basis to a high-36 month average pay basis.²⁰⁸
- 1986 – The REDUX retirement system was established for new entrants on or after August 1, 1986.²⁰⁹
- 2000 – The REDUX system was repealed. The system that existed prior to 1986 was reestablished for all personnel, which provided a voluntary option for new entrants and those members who qualified for REDUX to choose CSB/REDUX rather than the current (high-36 month) system.²¹⁰

Financial Summary

In FY 2013, nondisability retired pay entitlements totaled \$43.1 billion.²¹¹

3.4.2. RESERVE RETIREMENT

Members of the Reserve Component may retire after 20 qualifying years of creditable service;²¹² however, Reserve retired pay is not payable until age 60 unless the member performs certain types of active duty or active service specified in 10 U.S.C. § 12731(f). In such cases, the age to receive retired pay is reduced below 60 by three months for every 90 days of such service within a fiscal year.²¹³ The age cannot go below 50, and eligibility for subsidized retiree health benefits remains at age 60 even if the eligibility age for retired pay is reduced.²¹⁴

As with the Active Component, retired pay for the Reserve Component is computed as base pay times 2.5 percent times years of service.²¹⁵ If the Reservist was first a member of a uniformed service before September 8, 1980, base pay is defined as the active-duty basic pay in effect for the retiree's pay grade and years of service at the time retired pay begins.²¹⁶ If the Reservist first became a member of the uniformed services on or after September 8, 1980, base pay is the average basic pay for the

²⁰³ Act of June 4, 1920, ch. 227, Pub. L. No. 66-242, 41 Stat. 773 (1920).

²⁰⁴ Act of June 22, 1926, ch. 649, Pub. L. No. 69-412, 44 Stat. 761 (1926).

²⁰⁵ Armed Forces Voluntary Recruitment Act of 1945, ch. 393, Pub. L. No. 79-190, 59 Stat. 53538 (1945).

²⁰⁶ Act of February 21, 1946, ch. 34, Pub. L. No. 79-305, 60 Stat. 26, 27 (1946).

²⁰⁷ National Security Act of 1947, ch. 343, Pub. L. No. 80-253, 61 Stat. 495 (1947).

²⁰⁸ Department of Defense Authorization Act, 1981, Pub. L. No. 96-342, 94 Stat. 1077, 1100 (1980).

²⁰⁹ Military Retirement Reform Act of 1986, Pub. L. No. 99-348, 100 Stat. 682 (1986).

²¹⁰ National Defense Authorization Act for FY 2000, Pub. L. No. 106-65, 113 Stat. 662 (1999).

²¹¹ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

²¹² Armed Forces, 10 U.S.C. § 12731(a)(2).

²¹³ Armed Forces, 10 U.S.C. § 12731(f).

²¹⁴ Armed Forces, 10 U.S.C. §§ 12731(f)(2)(C), 1074(b)(2).

²¹⁵ Armed Forces, 10 U.S.C. § 12739(a).

²¹⁶ Armed Forces, 10 U.S.C. § 1406(b)(2).

member's pay grade in the highest 36 months computed as if the member was on active duty for the entire period preceding the age at which retired pay commences.²¹⁷

Years of service are determined by using a point system, for which 360 points convert to a year of service.²¹⁸ Typically, one point is awarded for one day of active-duty service (e.g., active-duty training) or one inactive-duty training (IDT) drill attendance.²¹⁹ Reservists may perform two IDT periods in one day thereby receiving two retirement points per day.²²⁰ In addition, 15 points are awarded for completion of one year's membership in a Reserve Component.²²¹ A creditable year of service is one in which the member earned at least 50 points.²²² A member generally cannot retire with fewer than 20 creditable years, although points earned in noncreditable years are used in the retirement calculation.²²³ Beginning with years of service that include October 30, 2007, non-active-duty points are limited in any year to no more than 130,²²⁴ although lesser limitations have applied in the past.²²⁵

For example, a member who joined the military in 1991, spent four years on active duty and then entered the Reserves, retiring with 20 satisfactory years of service, with 2,708 points, and a high-36 month average basic pay of \$4,500, would receive a gross monthly retired pay of \$846.²²⁶ A member who joined in 1981, spent four years on active duty and then entered the Reserves, who retired with 30 satisfactory years of service, with 3,488 points, and the same average basic pay would receive a gross monthly retired pay of \$1,090.²²⁷

The annual retired pay for a Reserve retirement is increased by an annual cost of living adjustment that is determined by the percentage increase in the CPI.²²⁸

Beneficiaries

The Statistical Report on the Military Retirement System for FY 2013 indicates that an average of 20,230 members retired per year (2002–2013) with nondisability retirements from the Reserve Component.²²⁹ As of September 30, 2013, there were 383,000 Reserve retirees receiving retired pay.

²¹⁷ Armed Forces, 10 U.S.C. § 1407(d).

²¹⁸ Armed Forces, 10 U.S.C. §§ 12732–12733.

²¹⁹ Armed Forces, 10 U.S.C. § 12732(a)(2).

²²⁰ Uniform Reserve, Training, and Retirement Categories for the Reserve Components, DoDI 1215.06, 12 (2014).

²²¹ Armed Forces, 10 U.S.C. § 12732(a)(2)(C).

²²² Armed Forces, 10 U.S.C. § 12732(a)(2).

²²³ Armed Forces, 10 U.S.C. §§ 12731(a)(2), 12733.

²²⁴ Armed Forces, 10 U.S.C. § 12733(3)(D).

²²⁵ *Ibid.*

²²⁶ Calculation for reserve retirement: (4 years active duty: $4 \times 365 = 1,460$ points) + (16 years of reserve drills: $16 \times 48 = 768$ points) + (16 years of annual training: $16 \times 15 = 240$ points) + (16 years of annual reserve membership points: $16 \times 15 = 240$ points) = 2,708 points. Reserve years of service (YOS/360): $2,708 / 360 = 7.52$ YOS; monthly retired pay: $\text{YOS} \times 2.5\% \times \text{average monthly basic pay of the Service members highest 36 months of basic pay}$ $7.52 \times .025 \times \$4,500 = \$846.00$.

²²⁷ Calculation for reserve retirement: (4 years active duty: $4 \times 365 = 1,460$ points) + (26 years of reserve drills: $26 \times 48 = 1,248$ points) + (26 years of annual training: $26 \times 15 = 390$ points) + (26 years of annual reserve membership points: $26 \times 15 = 390$ points) = 3,488 points. Reserve years of service (YOS/360): $3,488 / 360 = 9.69$ YOS; monthly retired pay: $\text{YOS} \times 2.5\% \times \text{average monthly basic pay of the Service members highest 36 months of basic pay}$ $9.69 \times .025 \times \$4,500 = \$1,090.13$.

²²⁸ Armed Forces, 10 U.S.C. § 1401a.

²²⁹ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, 162, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

Historical Context

The basic structure of the current nondisability Reserve retirement system was created in the Army and Air Force Vitalization and Retirement Equalization Act of 1948.²³⁰ Since 1948, the following have been key changes to the Reserve retirement system:

- 1981 – The annuity changed from a final pay basis to a high-36 month average pay basis.²³¹
- 1993 – Two provisions were adopted to induce members of Selected Reserve to apply for transfer to the retired Reserve: (1) Reservists who were younger than 60 years old, but had more than 20 years of creditable service, could transfer to the retired Reserve and receive up to five years of annuity prior to age 60 (equal to 12 times member's monthly basic pay had they been serving on active duty times five percent plus 0.5 percent for each year of creditable service to a maximum of 10 percent); and (2) Reservists with at least 15 but less than 20 years of retirement creditable service would receive Reserve retirement at age 60, based on their years of service.²³²
- 2008 – The NDAA for FY 2008 allows National Guard and Reserve members to receive retirement pay earlier than the normal age 60 by three months for every 90 days served on active duty after January 29, 2008.²³³

Financial Summary

In FY 2013, Reserve retired pay entitlements totaled \$5.61 billion.²³⁴

3.4.3. DISABILITY RETIREMENT

A military member in an Active Component or on active duty for more than 30 days who is found unfit for duty is entitled to disability retired pay if the disability: (a) is incurred while entitled to basic pay, (b) is neither the result of the member's intentional misconduct nor willful neglect, and (c) was not incurred during a period of unauthorized absence.²³⁵ Additionally, the member must have at least 20 years of service, or the disability must be rated at least 30 percent according to the Department of Veterans Affairs Schedule of Rating Disabilities.²³⁶ One of the following conditions must be met: (a) the disability was not noted at the time of the member's entrance on active duty (unless clear and unmistakable evidence demonstrates that the disability existed before the member's entrance on active duty and was not aggravated by active military service); (b) the disability is the proximate result of performing active duty; (c) the disability was incurred in the line of duty during time of war or national emergency; or (d) the disability was incurred in the line of duty after September 14, 1978.²³⁷ Under certain conditions generally similar to the above,

²³⁰ Army and Air Force Vitalization and Retirement Equalization Act of 1948, ch. 706, Title III, 62 Stat. 1081, 1087-1091 (1948).

²³¹ Department of Defense Authorization Act, 1981, Pub. L. No. 96-342, § 813, 94 Stat. 1077, 1100-1110 (1980).

²³² The National Defense Authorization Act for FY 1993, Pub. L. No. 102-484, § 4416, 106 Stat. 2315, 2714-2716 (1992).

²³³ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 647(a), 122 Stat. 3 (2005).

²³⁴ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, 25, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

²³⁵ Armed Forces, 10 U.S.C. § 1201(b).

²³⁶ Armed Forces, 10 U.S.C. § 1201(b)(3).

²³⁷ Armed Forces, 10 U.S.C. § 1201(b).

members on active duty for 30 days or less or on inactive-duty training are also entitled to disability retired pay for disabilities incurred or aggravated in the line of duty.²³⁸

With disability retirement, the member may elect to receive retired pay equal to either: (a) the accrued nondisability retirement benefit regardless of eligibility to retire or (b) base pay multiplied by the rated percent of disability.²³⁹ Except for members with more than 30 years of service, the benefit cannot be more than 75 percent of base pay.²⁴⁰ If the payment under option (a) is higher than that under option (b), then the excess payment under option (a) is subject to Federal income taxes if the member had service on or before September 24, 1975.²⁴¹ If not a member of a uniformed service on September 24, 1975, disability retired pay is tax-exempt only for those disabilities that are combat or hazardous duty related.²⁴² Base pay is equal to final basic pay if the retiree first became a member of a uniformed service before September 8, 1980; otherwise, base pay is equal to the average of the highest 36 months of basic pay.²⁴³

Members whose disabilities may not be permanent are placed on a temporary-disability retired list and receive disability retirement pay just as if they were permanently disabled.²⁴⁴ However, they must be physically examined every 18 months for any change in disability.²⁴⁵ A final determination must be made within five years.²⁴⁶ The temporary disability pay is calculated like the permanent disability retired pay, except that it can be no less than 50 percent of base pay.²⁴⁷

Members who elected the CSB/REDUX retirement option, but who retired for disability, are not subject to the reduced CSB/REDUX retired pay multiplier and are awarded retired pay based on the disability retired rules outlined above.²⁴⁸ However, such members continue to be subject to the reduced CPI (with age 62 restoral) as CSB recipients.²⁴⁹

Beneficiaries

As of September 30, 2013, there were 103,000 disability retirees receiving retired pay.²⁵⁰

The practice of providing for special compensation to be paid to persons disabled while performing military service can be traced to some of the earliest enactments of the Federal Congress.²⁵¹ The Act of April 30, 1790, for example, allowed the placement of

²³⁸ Armed Forces, 10 U.S.C. § 1204.

²³⁹ Armed Forces, 10 U.S.C. § 1401(a).

²⁴⁰ Armed Forces, 10 U.S.C. § 1409(b)(3).

²⁴¹ Armed Forces, 10 U.S.C. § 1403.

²⁴² Armed Forces, 10 U.S.C. § 104(b)(4).

²⁴³ Armed Forces, 10 U.S.C. §§ 1406, 1407.

²⁴⁴ Armed Forces, 10 U.S.C. § 1202.

²⁴⁵ Armed Forces, 10 U.S.C. § 1210(a).

²⁴⁶ Armed Forces, 10 U.S.C. § 1210(h).

²⁴⁷ Armed Forces, 10 U.S.C. § 1401(a).

²⁴⁸ Ibid. The service member is now being retired under the authority of Chapter 61 of Title 10, which is specifically exempted from the Retired Pay Multiplier provisions of 10 U.S.C. § 1409.

²⁴⁹ Armed Forces, 10 U.S.C. §§ 1401a, 1410. Unlike the provisions of 10 U.S.C. § 1409, Chapter 61 retirees are not exempted from the Reduced CPI provisions if they elected to receive the Career Status Bonus.

²⁵⁰ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, 124, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

²⁵¹ The Act of April 30, 1790, ch. 10, § 11, 1 Stat. 119, 121 (1790).

disabled military personnel on “the list of the invalids of the United States.”²⁵² While on this “invalid,” or pension, list, officers could receive up to one-half their “pay,” and enlisted personnel could receive up to \$5 a month for life.²⁵³

Financial Summary

In FY 2013, disability retired pay entitlements totaled \$1.43 billion.²⁵⁴

3.4.4. COST OF LIVING ADJUSTMENT

All nondisability retirement, disability retirement, and most survivor annuities are adjusted annually for inflation to ensure that the purchasing power of retired pay or the survivor annuity is not eroded by inflation.²⁵⁵ The cost-of-living adjustment (COLA) is automatically scheduled to occur every 12 months, on December 1, and is reflected in checks issued at the beginning of January.²⁵⁶

The “full” COLA is computed by calculating the percentage increase in the average CPI of the third quarter of the prior calendar year to the third quarter of the current calendar year.²⁵⁷ The increase is based on the Urban Wage Earner and Clerical Worker Consumer Price Index (CPI-W), published by the Bureau of Labor Statistics, and is rounded to the nearest tenth of one percent.²⁵⁸ Recent retirees/annuitants receive a prorated COLA depending on their date of retirement/eligibility.²⁵⁹

Beneficiaries

As stated, all nondisability retirement, disability retirement, and most survivor annuities are provided COLAs. At the end of FY 2013, approximately 2.3 million military retirees and survivors received COLA.²⁶⁰

Historical Context

The benefits of retirees (and most survivors) are increased annually with the full COLA, except for those first entering a uniformed service on or after August 1, 1986, who elect the CSB/REDUX Retirement Plan.²⁶¹ Their benefits are increased annually with a partial COLA equal to the full COLA minus 1.0 percent (except if the full COLA is less than or equal to 1.0 percent).²⁶² A one-time restoral is given to a partial COLA recipient on the first day of the month after the retiree’s 62nd birthday.²⁶³ At this time, retired pay (or the survivor benefit if the retiree is deceased) is increased to the

²⁵² Ibid.

²⁵³ Ibid.

²⁵⁴ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, 25, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

²⁵⁵ Armed Forces, 10 U.S.C. § 1401a.

²⁵⁶ Ibid.

²⁵⁷ Armed Forces, 10 U.S.C. §§ 1401a, 1451.

²⁵⁸ Armed Forces, 10 U.S.C. § 1401a(g).

²⁵⁹ Armed Forces, 10 U.S.C. § 1401a(e).

²⁶⁰ Department of Defense, Office of the Actuary, *Statistical Report on the Military Retirement System, Fiscal Year 2013*, 25, accessed June 5, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

²⁶¹ Armed Forces, 10 U.S.C. § 1401a.

²⁶² Armed Forces, 10 U.S.C. § 1401a(b)(3).

²⁶³ Armed Forces, 10 U.S.C. § 1410.

amount that would have been payable had full COLAs been in effect.²⁶⁴ Annual partial COLAs continue after this restoral.²⁶⁵

The Omnibus Budget Reconciliation Act of 1993 changed the effective date for future COLAs for military retired pay and for Federal civilian retirement annuities, which (before the Act) were effective on December 1 each year.²⁶⁶

Based on the increase in the CPI, there was a 1.5 percent COLA for retired pay and Survivor Benefit Plan (SBP) annuities effective December 1, 2013. Most retirees received the increase in their December 31, 2013, payment. SBP annuitants received their payments on January 2, 2014. Retirees who received a CSB received a 0.5 percent increase.²⁶⁷

3.4.5. MILITARY RETIREMENT FUND

The military retirement system provides benefits for military members' retirement from active duty, Reserve Component duty, disability retirement benefits, and survivor benefits.²⁶⁸ The Military Retirement Fund (MRF) accumulates funds to finance, on an actuarial basis, the liabilities of DoD under military retirement and survivor benefit programs.²⁶⁹

The MRF was established by the 1984 Defense Authorization Act.²⁷⁰ Since October 1, 1984, the "accrual accounting" concept has been used to budget for the costs of military retired pay.²⁷¹ Under this system, the DoD budget for each fiscal year includes not the amount of retired pay actually paid to retirees, but a contribution to the military retirement fund sufficient to finance future retirement payouts to current uniformed personnel when they retire.²⁷² These annual "accrual" contributions accumulate in the military retirement fund, along with interest earned on them.²⁷³

Source of the Funds in the MRF

The amount DoD must contribute each year to cover future retirement costs is determined by an independent DoD Board of Actuaries. This Board consists of three members who are appointed by the Secretary of Defense from among qualified professional actuaries who are members of the Society of Actuaries.²⁷⁴ This Board decides how much is needed to cover future retirement costs as a percentage of military basic pay (normal cost percentages).²⁷⁵ Once military personnel retire, payments to them are made not from the annual DoD budget, but from the accumulated amounts in the MRF.²⁷⁶ Estimated future retirement costs are projected

²⁶⁴ Ibid.

²⁶⁵ Armed Forces, 10 U.S.C. § 1401a(b).

²⁶⁶ Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-65, § 2001, 107 Stat. 312, 335 (1993).

²⁶⁷ "Cost of Living Adjustments," Defense Accounting and Finance Service, accessed May 15, 2014, <http://www.dfas.mil/retiredmilitary/newsevents/newsletter/cola2014.html>.

²⁶⁸ Armed Forces, 10 U.S.C. § 1461.

²⁶⁹ Ibid.

²⁷⁰ Department of Defense Authorization Act, 1984, Pub. L. No. 98-94, § 925, 97 Stat. 614, 644-648 (1983).

²⁷¹ Ibid.

²⁷² Armed Forces, 10 U.S.C. §§ 1465-1466.

²⁷³ Armed Forces, 10 U.S.C. § 1462.

²⁷⁴ Pub. L. No. 110-181, § 906 (2008). Armed Forces, 10 U.S.C. § 183.

²⁷⁵ Armed Forces, 10 U.S.C. § 183.

²⁷⁶ Armed Forces, 10 U.S.C. § 1483.

based on the past rates at which active-duty military personnel stayed in the service until retirement, and on assumptions regarding the overall U.S. economy, including interest rates, inflation rates, and military pay levels.²⁷⁷

The aggregate entry-age normal cost percentage (NCP) is the level percentage of basic pay that must be contributed over the entire career of a typical group of new entrants to pay for all the future retirement and survivor benefits of that group.²⁷⁸ The NDAA for FY 1987 mandated that two separate NCPs be used for valuation of the military retirement system—one for active-duty personnel and full-time Reservists and one for part-time Reservists.²⁷⁹ For FY 2013, the full-time NCP was 43.3 percent and part-time NCP was 27.6 percent.²⁸⁰

When the military retirement system went to accrual funding of military members in October 1984, it did not cover retirement costs for service prior to that date.²⁸¹ As a result, there was an initial unfunded accrued liability of \$528.7 billion as of September 30, 1984.²⁸² The 1984 Department of Defense Authorization Act declared that the U.S. Treasury is responsible for the payment on the unfunded liability, which the Board of Actuaries determined would be amortized as annual payments.²⁸³ The Treasury unfunded liability payment changes annually due to modifications to retirement/survivor benefit provisions, changes in actuarial assumptions, and gains and losses based on actual fund investment experience compared to expected fund investment experience.²⁸⁴ As of September 30, 2011, the Board of Actuaries estimated that the original unfunded liability balance will be zero by 2026, although the amortization of actuarial assumption and benefit changes to date will not be completed until 2040.²⁸⁵

The NDAA for FY 2004 required the Treasury to also pay the normal cost arising from increased benefits due to Concurrent Receipt—Concurrent Retirement and Disability Pay (CRDP) and Combat-Related Special Compensation (CRSC)—into the MRF at the beginning of each fiscal year.²⁸⁶

At the end of FY 2013, the assets in the MRF totaled \$483.5 billion.²⁸⁷ During FY 2013, the Fund disbursed \$54.7 billion to 2.28 million military retirees (regular, Reserve, and disability) and survivors.²⁸⁸

²⁷⁷ Armed Forces, 10 U.S.C. § 1465.

²⁷⁸ Armed Forces, 10 U.S.C. § 1465(c).

²⁷⁹ National Defense Authorization Act for FY 1987, Pub. L. No. 99-661, § 661, 100 Stat. 3816, 3891-3893 (1986).

²⁸⁰ DoD Office of the Actuary, *Valuation of the Military Retirement System, September 30, 2011*, 5, accessed May 16, 2014, <http://actuary.defense.gov/Portals/15/Documents/MRFValRpt2011.pdf>.

²⁸¹ Department of Defense Authorization Act, 1984, Pub. L. No. 98-94, § 925, 97 Stat. 614, 644-648 (1983).

²⁸² DoD Office of the Actuary, *Valuation of the Military Retirement System, September 30, 2012*, 24, accessed April 2014, http://actuary.defense.gov/Portals/15/Documents/MRF_ValRpt2_2012.pdf.

²⁸³ Ibid.

²⁸⁴ Armed Forces, 10 U.S.C. § 1465.

²⁸⁵ DoD Office of the Actuary, *Valuation of the Military Retirement System, September 30, 2011*, 24, 29, 33, accessed May 16, 2014, <http://actuary.defense.gov/Portals/15/Documents/MRFValRpt2011.pdf>.

²⁸⁶ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 641(c), 117 Stat. 1392, 1514-1516 (2003).

²⁸⁷ Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Fiscal Year 2013, Military Retirement Fund Audited Financial Report*, December 9, 2013, 21, accessed June 6, 2014, http://comptroller.defense.gov/Portals/45/documents/cfs/fy2013/13_Military_Retirement_Fund/Fiscal_Year_2013_Military_Retirement_Fund_Financial_Statements_and_Notes.pdf.

²⁸⁸ Ibid, 1, 5-10.

3.4.6. THRIFT SAVINGS PROGRAM

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for Federal employees and members of the uniformed services, including the Ready Reserve. It was established by the Congress through the Federal Employees' Retirement System Act of 1986 and offers the same types of savings and tax benefits that many private corporations offer their employees under 401(k) plans.²⁸⁹ The TSP is a defined contribution plan, meaning that the retirement income participants receive from their TSP accounts depends on how much they (and their agency, if they are eligible to receive agency contributions) put into their accounts during their working years and the earnings accumulated over that time. TSP is currently a supplement to military retired pay.²⁹⁰

The NDAA for FY 2000, as amended by the NDAA for FY 2001, authorized members of the uniformed services on active duty or in the Ready Reserve to participate in TSP under the same terms and conditions as civilian Federal employees, but without agency matching contributions, similar to Federal civilian employees under the Civil Service Retirement System.²⁹¹ Members of the uniformed services began enrolling on October 9, 2001.²⁹²

Service Secretaries are authorized to provide matching TSP contributions to a member in a specialty designated by the Secretary as critical to meet requirements (whether such specialty is designated as critical to meet wartime or peacetime requirements). Additionally, the member must commit to continue to serve on active duty in that specialty for six years.²⁹³

The Federal Retirement Thrift Investment Board (FRTIB) is an independent Federal agency that administers the TSP. It is charged by statute with operating the TSP prudently and solely in the interest of its participants and beneficiaries.²⁹⁴ It is managed by a Presidentially-appointed, five-member board and an executive director who is appointed by the Board.²⁹⁵ The Board is responsible for developing the investment policies and overseeing the management of the TSP, which is under the day-to-day direction of the executive director.²⁹⁶ By law, the TSP must be audited annually.²⁹⁷ The most recent audit was completed on April 14, 2014.²⁹⁸

In addition to payroll deductions from basic pay before taxes are withheld (regular contributions) or after taxes have been withheld (Roth contributions), uniformed service members may also contribute from 1 to 100 percent of any incentive pay, special pay, or bonus pay, as long as the member contributes at least 1.0 percent from

²⁸⁹ Federal Employees' Retirement Act of 1986, Pub. L. No. 99-335, 100 Stat. 3131 (1986).

²⁹⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 211.

²⁹¹ National Defense Authorization Act for FY 2000, Pub. L. No. 106-65, §§ 661-663, 113 Stat. 512, 670-674 (1999). National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 661, 114 Stat. 1654, 1654A-167 (2000).

²⁹² OSD(P&R) website: <http://militarypay.defense.gov/tsp/index.html>. (The later start date is because the authority granted by NDAA for FY 2001 allowed the Secretary of Defense to postpone enrollment up to 180 days subsequent to the 180 day window that TSP enrollment was supposed to begin).

²⁹³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 211(d).

²⁹⁴ Government Organization and Employees, 5 U.S.C. §§ 8472(h), 8477(b).

²⁹⁵ Government Organization and Employees, 5 U.S.C. § 8472(b).

²⁹⁶ Government Organization and Employees, 5 U.S.C. § 8473(f).

²⁹⁷ Government Organization and Employees, 5 U.S.C. § 8439(b).

²⁹⁸ CliftonLarsonAllen LLP, *Thrift Savings Fund Financial Statements, December 31, 2013 and 2012*, accessed June 2, 2014, <http://www.frtib.gov/pdf/reports/FinStmnts/TSP-FS-Dec2013.pdf>.

basic pay.²⁹⁹ Total contributions must not exceed the applicable Internal Revenue Code (IRC) contribution limits that are calculated each year.³⁰⁰ The IRC limit for 2014 is \$17,500.³⁰¹ However, this limit does not apply to uniformed service member regular contributions made from tax-exempt pay earned in a combat zone.³⁰²

Plan participants are immediately vested in all of their own contributions and related earnings.³⁰³ Participants are also immediately vested in any agency matching contributions and related earnings.³⁰⁴ In general, participants cannot withdraw money from the TSP until they separate from the uniformed services unless they are experiencing a financial hardship or have reached age 59½.³⁰⁵ The IRC imposes a 10 percent additional tax penalty on distributions from TSP unless the member has reached age 59½, dies, or becomes disabled.³⁰⁶

Participants may borrow from their TSP accounts under two types of loans: general purpose loans, which must be repaid within five years, or residential loans taken for the purpose of purchasing a primary residence, which must be repaid within 15 years.³⁰⁷ Participant loans may be taken only from participant contributions and related earnings and cannot exceed the lesser of one-half of the participant's vested account balance or \$50,000.³⁰⁸ The interest rate for TSP loans is the "G Fund" interest rate at the time the loan agreement is issued by the plan's record keeper.³⁰⁹ Interest earned on loans is allocated to the participant account upon repayment.³¹⁰

Beneficiaries

As of December 31, 2013, there were approximately 4.6 million participants in TSP, with approximately 2.9 million contributing their own money.³¹¹ Of the 4.6 million participants, 921,000 were members of the uniformed services.³¹²

Historical Context

The assets of TSP are maintained in the Thrift Savings Fund, which invests the assets in accordance with participant instructions in five investment funds authorized by the Congress to be included in the plan.³¹³ The FRTIB currently contracts with investment

²⁹⁹ Government Organization and Employees, 5 U.S.C. § 8440e(d)(2).

³⁰⁰ Internal Revenue Code, 26 U.S.C. § 402(g).

³⁰¹ Internal Revenue Code, 26 U.S.C. § 402(g)(4). Internal Revenue Service, IRS News Release IR-2013-86, accessed May 16, 2014, [http://www.irs.gov/uac/IRS-Announces-2014-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-\\$17,500-to-their-401\(k\)-plans-in-2014](http://www.irs.gov/uac/IRS-Announces-2014-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-$17,500-to-their-401(k)-plans-in-2014).

³⁰² The limits found in Internal Revenue Code, 26 U.S.C. § 415(c) will still apply. Internal Revenue Code, 26 U.S.C. § 112 excludes combat pay from income and because it is not "income" for tax purposes; combat pay is not being deferred and can be contributed above the excess amount.

³⁰³ Government Organization and Employees, 5 U.S.C. § 8432(g)(1).

³⁰⁴ Ibid.

³⁰⁵ Government Organization and Employees, 5 U.S.C. § 8433(h). Internal Revenue Code, 26 U.S.C. § 401(k)(2)(B).

³⁰⁶ Internal Revenue Code, 26 U.S.C. § 72(t).

³⁰⁷ Government Organization and Employees, 5 CFR 1655.5.

³⁰⁸ Government Organization and Employees, 5 CFR 1655.6.

³⁰⁹ Government Organization and Employees, 5 CFR 1655.7.

³¹⁰ Government Organization and Employees, 5 CFR 1655.9(d).

³¹¹ CliftonLarsonAllen LLP, *Thrift Savings Fund Financial Statements, December 31, 2013 and 2012*, 6, accessed May 20, 2014, <http://www.frtib.gov/pdf/reports/FinStmnts/TSP-FS-Dec2013.pdf>.

³¹² Federal Retirement Thrift Investment Board, *2012 Annual Report of the Thrift Savings Plan Required by Section 105 of the TSP Enhancement Act of 2009*, 3, accessed May 16, 2014, <http://www.frtib.gov/pdf/reports/ToCongress/TSP-Annual-Report-2012.pdf>.

³¹³ Government Organization and Employees, 5 U.S.C. §§ 8437-8438.

management company BlackRock Institutional Trust Company N.A., to manage the index funds in which the assets are invested.³¹⁴

The costs of administering the TSP are paid from the assets of the Thrift Savings Fund.³¹⁵ Administrative costs of the TSP in 2013 were 2.9 basis points (one basis point is 1/100 of 1.0 percent), or approximately 29 cents for each \$1,000 invested.³¹⁶

The TSP maintains individual accounts for each participant.³¹⁷ Participant accounts are credited with the participant's contributions and agency contributions, and are charged for withdrawals.³¹⁸ The value of the participant's account reflects the number of shares and the daily share prices of the funds in which the account is invested.³¹⁹ Administrative expenses are a component of the share price calculation.³²⁰ The benefit to which a participant is entitled is the participant's vested account.³²¹

The TSP offers its participants various investment funds that are exposed to different types and amounts of risk, including interest rate, credit, and market risk.³²² The funds (except for the G Fund, which is invested in a way to avoid losses) can be expected to experience greater or lesser volatility over time, depending upon each fund's individual risk profile, thus affecting the fund balances from one period to the next.³²³

The G Fund assets are managed internally by the FRTIB.³²⁴ The G Fund buys a nonmarketable U.S. Treasury security that is guaranteed by the U.S. Government.³²⁵ The earnings consist entirely of interest income on the security.³²⁶ This is the default fund into which TSP contributions are deposited unless the participant specifies a different fund allocation.³²⁷

BlackRock Institutional Trust Company, N.A., holds the current contract with FRTIB to manage assets for the F, C, S, and I funds. These funds are index funds, and are invested in a manner to replicate risk and return characteristics of each respective fund's benchmark index.³²⁸ Despite securities market performance or the overall economy, the F, C, S, and I Funds remain invested in their respective indexes.³²⁹ The F and C Fund assets are held in separate accounts, and the S and I Fund assets are

³¹⁴ CliftonLarsonAllen LLP, *Thrift Savings Fund Financial Statements, December 31, 2013 and 2012*, 7, accessed May 20, 2014, <http://www.frtib.gov/pdf/reports/FinStmnts/TSP-FS-Dec2013.pdf>.

³¹⁵ Government Organization and Employees, 5 U.S.C. § 8437(d).

³¹⁶ Thrift Savings Plan website: <https://www.tsp.gov/investmentfunds/fundoverview/expenseRatio.shtml>.

³¹⁷ Government Organization and Employees, 5 U.S.C. § 8439(a)(1).

³¹⁸ Government Organization and Employees, 5 U.S.C. § 8439(a)(2).

³¹⁹ Government Organization and Employees, 5 U.S.C. § 8439(a)(3).

³²⁰ Government Organization and Employees, 5 U.S.C. § 8439(a)(3). Government Organization and Employees, 5 CFR 1645.1-1645.6.

³²¹ Government Organization and Employees, 5 U.S.C. § 8433.

³²² Government Organization and Employees, 5 U.S.C. § 8438.

³²³ Government Organization and Employees, 5 CFR 1601.33 (establishes that a participant must sign an acknowledgement of risk form when investing in anything other than the G Fund).

³²⁴ Government Organization and Employees, 5 U.S.C. § 8438(e).

³²⁵ *Ibid.*

³²⁶ *Ibid.* (Government Organization and Employees, 5 U.S.C. § 8438(e) provides authority for the administration of the G Fund. Government Organization and Employees, 5 U.S.C. § 8438(e)(2)(A) provides that Treasury Obligations issued for the G Fund shall bear interest at a rate equal to the average market yield).

³²⁷ Government Organization and Employees, 5 U.S.C. § 8438(c)(2).

³²⁸ Government Organization and Employees, 5 U.S.C. § 8438(b).

³²⁹ "Fund Management," Thrift Savings Plan, accessed May 16, 2014, <https://www.tsp.gov/investmentfunds/fundoverview/fundManagement.shtml>.

invested in collective funds.³³⁰ These trust funds comprise investments by tax-exempt institutions similar to the TSP, including pension plans and endowments.³³¹ The BlackRock Collective Funds operate similarly to mutual funds; however, they are not mutual funds,³³² because they are not available to individual investors. Because they are regulated by the Comptroller of the Currency, not by the Securities and Exchange Commission, they do not have ticker symbols.³³³

The F Fund is managed to track the Barclays Capital U.S. Aggregate Bond Index. This broad index includes the following sectors of the U.S. bond market: U.S. Government, mortgage-backed, corporate, and foreign government (issued in the United States).³³⁴ Earnings constitute interest income on the securities and relative gains in the securities' value.³³⁵

The C Fund is invested in a stock index fund that mirrors the Standard and Poor's 500 (S&P 500) Index.³³⁶ The S&P 500 is a broad market index comprising stocks of 500 medium- to large-sized U.S. companies.³³⁷ The objective of the C Fund is to perform equivalent to the S&P 500.³³⁸ The earnings consist of dividend income, as well as gains or losses in the price of stocks.³³⁹

The S Fund is intended to match Dow Jones U.S. Completion Total Stock Market Index performance.³⁴⁰ The Dow Jones Index is a broad market index comprising stocks of U.S. companies not included in the S&P 500 Index.³⁴¹ The earnings consist of dividend income, as well as gains or losses in the price of stocks.³⁴²

The I Fund's objective is matching performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index. The earnings consist of relative gains of stock prices, dividend, and fluctuations in currencies value.³⁴³

The TSP L (Lifecycle) Funds, created in 2005, are asset allocation portfolios.³⁴⁴ The investment mixes, designed by Mercer Investment Consulting, Inc. (Mercer), are based on the TSP's existing investment funds, tailored to complement the time horizon when the participant intends to withdraw the funds.³⁴⁵ The L2020, L2030, L2040, and L2050 Funds are designed for participants who will withdraw their accounts five years

³³⁰ Ibid.

³³¹ Ibid.

³³² Ibid.

³³³ Ibid.

³³⁴ "F Fund: Fixed Income Index Fund," Thrift Savings Plan, accessed May 16, 2014, https://www.tsp.gov/investmentfunds/fundsheets/fundPerformance_F.shtml.

³³⁵ Ibid.

³³⁶ "C Fund: Common Stock Index Fund," Thrift Savings Plan, accessed May 16, 2014, https://www.tsp.gov/investmentfunds/fundsheets/fundPerformance_C.shtml.

³³⁷ Ibid.

³³⁸ Ibid.

³³⁹ "S Fund: Small Stock Index Investment Fund," Thrift Savings Plan, accessed May 16, 2014, https://www.tsp.gov/investmentfunds/fundsheets/fundPerformance_S.shtml.

³⁴⁰ Ibid.

³⁴¹ Ibid.

³⁴² Ibid.

³⁴³ "I Fund: International Stock Index Investment Fund," Thrift Savings Plan, accessed May 16, 2014, https://www.tsp.gov/investmentfunds/fundsheets/fundPerformance_I.shtml.

³⁴⁴ CliftonLarsonAllen LLP, *Thrift Savings Fund Financial Statements, December 31, 2012 and 2011*, 7, accessed May 17, 2014, <http://www.frtib.gov/pdf/reports/FinStmnts/TSP-FS-Dec2013.pdf>.

³⁴⁵ Ibid.

before or after the year in the title of the account.³⁴⁶ The L Income Fund was designed to produce current income for the participants who are already receiving money from their accounts through monthly payments.³⁴⁷

Financial Summary

At the end of calendar year 2013, the assets in the TSP totaled \$395 billion.³⁴⁸

3.5. CONCURRENT RECEIPT

Concurrent receipt refers to the simultaneous receipt of military retired pay and disability compensation from the Department of Veterans Affairs (VA).³⁴⁹ Prior to 2004, a military retiree could not receive two payments from Federal agencies for the same purpose.³⁵⁰ As a result, military retirees with physical disabilities recognized by the VA had retired pay offset dollar for dollar by the amount of their VA compensation. The VA disability compensation is not taxable.³⁵¹

3.5.1. CONCURRENT RETIREMENT AND DISABILITY PAYMENTS

The NDAA for FY 2004 authorized military retirees to receive both full military retired pay and VA disability compensation, regardless of the causes of the disability, as long as the member has at least 50 percent disability rating as determined by the VA.³⁵² This is called the Concurrent Retirement and Disability Payment (CRDP) benefit.³⁵³ When the statute was enacted, 100 percent disabled retirees were entitled immediately to full concurrent receipt.³⁵⁴ The amount of concurrent receipt for others between 50 and 90 percent disability was phased in over the 2004-2013 period.³⁵⁵ By 2014, the offset in retired pay for those awarded at least a 50 percent rating by the VA, was eliminated.³⁵⁶

There are two groups of retirees not eligible for CRDP.³⁵⁷ One group is military retirees with noncombat-related disabilities rated at 40 percent or less by the VA.³⁵⁸ The other group comprises retirees with service-connected disability ratings of 100 percent or less, and less than 20 years of service.³⁵⁹

³⁴⁶ Ibid.

³⁴⁷ Ibid.

³⁴⁸ CliftonLarsonAllen LLP, *Thrift Savings Fund Financial Statements, December 31, 2013 and 2012*, 5, accessed May 22, 2014, <http://www.frtib.gov/pdf/reports/FinStmnts/TSP-FS-Dec2012.pdf>.

³⁴⁹ Armed Forces, 10 U.S.C. § 1414.

³⁵⁰ Veterans' Benefits, 38 U.S.C. § 5304 (prohibited the duplication of benefits until the NDAA for FY 2004 was enacted).

³⁵¹ Veterans' Benefits, 38 U.S.C. § 5301(a).

³⁵² National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 641, 117 Stat. 1392, 1511-1516 (2003).

³⁵³ Ibid.

³⁵⁴ The Ronald W. Reagan National Defense Authorization Act for FY 2005, Pub. L. No. 108-375, § 642, 118 Stat. 1811, 1957-1958 (2004) amended the NDAA for FY 2004 to authorize this full concurrent receipt.

³⁵⁵ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 641, 117 Stat. 1392, 1511-1516 (2003).

³⁵⁶ Ibid.

³⁵⁷ Armed Forces, 10 U.S.C. §§ 1414(a), (b).

³⁵⁸ Ibid.

³⁵⁹ Ibid.

A retiree may not receive both Combat-Related Special Compensation (CRSC) and CRDP benefits.³⁶⁰ The retiree must choose between the two during an annual “open season” as specified by the statute.³⁶¹ Similar to CRSC payments, the funds for the payment of CRDP come from the U.S. Treasury.³⁶²

3.5.2. COMBAT-RELATED SPECIAL COMPENSATION

The NDAA for FY 2003, as amended, created the CRSC.³⁶³ Military retirees (regular, disability, Temporary Early Retirement Authority, and most Reserve) are eligible for CRSC if (1) the disability is attributable to an injury for which the member was awarded the Purple Heart Medal and the VA rates the disability at 10 percent or higher, or (2) the disability rating results from the involvement in armed conflict, hazardous service (for example, diving, parachuting, or handling explosives), duty simulating war (e.g., training exercises in the field), or through an instrumentality of war (e.g., accidents in combat vehicles or injuries from gases used in training for combat).³⁶⁴ Retirees must apply for CRSC through their Service Component, as the Component is responsible for verifying the disability is combat related.³⁶⁵

CRSC payments are generally equal to the amount of VA disability compensation that is determined to be combat related.³⁶⁶ Retirees still have their retired pay reduced by the amount of the total VA disability compensation, but retirees receive the CRSC payment as “special compensation,”³⁶⁷ as the statute specifies that CRSC is not retired pay.³⁶⁸ Funding for CRSC payments comes from the U.S. Treasury.³⁶⁹

Beneficiaries

As of September 30, 2013, there were 395,143 personnel receiving CRDP benefits and 82,929 personnel receiving CRSC benefits.³⁷⁰

Historical Context

A summary of significant statutes relating to disability retirement and retired pay follows:

- 2002 – Authority for concurrent receipt of military retired pay and veterans’ disability compensation was approved, contingent on enactment of legislation to offset expenditures; minimum disability rating was reduced to 60 percent for receipt of special compensation for severely disabled retirees.³⁷¹

³⁶⁰ Armed Forces, 10 U.S.C. § 1414(d)(1).

³⁶¹ Armed Forces, 10 U.S.C. § 1414(d)(2).

³⁶² Armed Forces, 10 U.S.C. § 1413a(h). The Treasury puts funds into the Military Retirement Fund to cover CRDP payments to retirees.

³⁶³ Bob Stump National Defense Authorization Act for FY 2003, Pub. L. No. 107-314, § 636, 116 Stat. 2458, 2574-2576 (2002).

³⁶⁴ Armed Forces, 10 U.S.C. §§ 1413a(c), (e).

³⁶⁵ Armed Forces, 10 U.S.C. § 1413a(d).

³⁶⁶ Armed Forces, 10 U.S.C. § 1413a(b).

³⁶⁷ *Ibid.*

³⁶⁸ Armed Forces, 10 U.S.C. § 1413a(g).

³⁶⁹ Armed Forces, 10 U.S.C. § 1413a(h). The Treasury puts funds into the Military Retirement Fund to cover CRDP payments to retirees.

³⁷⁰ Department of Defense, Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year 2013*, May 2014, 30, accessed June 6, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

³⁷¹ National Defense Authorization Act for FY 2002, Pub. L. No. 107-107, § 641, 115 Stat. 1012, 1149-1151 (2001).

- 2003 – Concurrent receipt of military retired pay and veterans’ disability was authorized for veterans categorized as combat-related disabled uniformed services retirees, if their disability rating was 60 percent or higher.³⁷²
- 2004 – Phase-in over a 10-year period (through 2013) of full concurrent receipt of military retired pay and veterans’ disability compensation was provided for military retirees with greater than 50 percent disability. Eligibility for combat-related disability special compensation was extended to all retirees with combat-related disabilities, regardless of disability rating.³⁷³
- 2005 – The phase-in of concurrent receipt of retired pay and veterans’ disability compensation was repealed for military retirees with service-connected disabilities rated as 100 percent, making individuals in that category immediately eligible for full, concurrent retired and disability compensation.³⁷⁴
- 2008 – Eligibility for CRSC was expanded to medical retirees with fewer than 20 years of service, subject to documentation of the link between disability and combat.³⁷⁵

Financial Summary

As of September 30, 2013, there were 395,143 personnel who received \$7.1 billion in annual CRDP benefits and 82,929 personnel who received \$1.0 billion in annual CRSC benefits.³⁷⁶

3.6. SURVIVOR BENEFIT PLAN

Members retiring from the military are given the option to provide a lifetime monthly annuity to qualified survivors through the Survivor Benefit Plan (SBP).³⁷⁷ They may choose coverage for a spouse, former spouse, dependent child, or natural person with an insurable interest in the retiring member.³⁷⁸ The coverage is established on a base dollar amount that may not exceed the member’s retired pay.³⁷⁹ The usual cost of coverage is 6.5 percent of the base amount elected and the usual coverage is 55 percent of the base amount elected.³⁸⁰ Once the member has reached age 70 or has participated in SBP for 360 months, the reductions in the retired pay to cover the retiree’s share cease.³⁸¹ If a retiree elects not to participate, or to participate at a reduced level of coverage, the retiree’s spouse must be notified, and in the case of such an election made on or after March 1, 1986, the spouse must concur with the election to be effective.³⁸² The coverage for children and for persons with insurable interest has

³⁷² Bob Stump National Defense Authorization Act for FY 2003, Pub. L. No. 107-314, § 636, 116 Stat. 2458, 2574-2576 (2002).

³⁷³ National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, § 641, 117 Stat. 1392, 1511-1516 (2003).

³⁷⁴ Ronald W. Reagan National Defense Authorization Act for FY 2005, Pub. L. No. 108-375, § 642, 118 Stat. 1811, 1957-1958 (2004).

³⁷⁵ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 641, 122 Stat. 3, 156 (2008).

³⁷⁶ Department of Defense, Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year 2013*, May 2014, 192, accessed June 6, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

³⁷⁷ Armed Forces, 10 U.S.C. § 1448(a).

³⁷⁸ Armed Forces, 10 U.S.C. §§ 1448(a)(1), (b)(2).

³⁷⁹ Armed Forces, 10 U.S.C. §§ 1447(6), 1451.

³⁸⁰ Armed Forces, 10 U.S.C. § 1452(a)(1).

³⁸¹ Armed Forces, 10 U.S.C. § 1452(j).

³⁸² Armed Forces, 10 U.S.C. § 1448(a)(3).

different costs based on the age or difference in age between the member and the covered survivor.³⁸³

The cost of coverage is deducted from retired pay before taxes.³⁸⁴ DoD subsidizes 40 to 50 percent of the total cost of the program.³⁸⁵ In general, SBP payments to the covered survivor are taxable income.³⁸⁶

Reserve Component members may elect to participate in the Reserve Component Survivor Benefit Program (RCSBP) to provide survivor protection for an eligible beneficiary before members are eligible to draw retired pay.³⁸⁷ Reserve Component members may decline to participate in RCSBP, but will be eligible for SBP once they are eligible to receive retired pay.³⁸⁸ There are two options under RCSBP: (1) survivor payments will begin on the date of the retiree's death or the date the retiree would become eligible to receive retired pay, whichever is later or (2) survivor benefits begin immediately following the death of the retiree regardless of the age of the retiree at the time of death.³⁸⁹ The amount paid to the survivor under RCSBP is computed in the same manner as the SBP except that the base annuity amount is 55 percent of the difference between the base amount and the cost of the Reserve Component add-on premium.³⁹⁰ The added cost of RCSBP is borne completely by the Service member through reductions from future retired pay.³⁹¹ Similar to SBP, the costs of RCSBP premiums are dependent on the type of coverage as well as the age of the retiree and the selected beneficiaries.³⁹²

Beneficiaries

As of September 30, 2013, there were 286,893 recipients of SBP payments.³⁹³ The 2013 Annual DoD Actuary Statistical Report of the Military Retirement System indicated 80 percent of Service members who retired in 2013 participated in the program (79 percent enlisted and 83 percent officer) compared to 60 percent in 1989 (54 percent enlisted and 76 percent officer).³⁹⁴

Historical Context

Legislation originating in 1953 provided optional survivor benefits. It was later referred to as the Retired Servicemen's Family Protection Plan (RSFPP).³⁹⁵ The Uniformed Services Contingency Option Act of 1953 was the first law to permit military members to receive reduced retired pay during their lifetime in return for ensuring that their

³⁸³ Armed Forces, 10 U.S.C. §§ 1452(b), (c).

³⁸⁴ Internal Revenue Code, 26 U.S.C. § 122(a).

³⁸⁵ "Overview of the Survivor Benefit Plan," Office of the Secretary of Defense, accessed May 16, 2014, http://militarypay.defense.gov/survivor/sbp/01_overview.html. Army G-1 Deputy Chief of Staff, *Retirement Services Office, Survivor Benefit Plan, The Simple Facts*, accessed May 16, 2014, http://www.armyg1.army.mil/rso/docs/SBP_Simple_Facts.pdf.

³⁸⁶ Internal Revenue Code, 26 U.S.C. § 72(n). Provides that if the SBP premiums were excluded from income then the payments received by the beneficiary are taxed. If they were not excluded, then SBP payments are not taxed until the beneficiary receives the same amount that was paid in premiums.

³⁸⁷ Armed Forces, 10 U.S.C. § 1448(a)(2)(B).

³⁸⁸ Ibid.

³⁸⁹ Survivor Annuity Program Administration, DoDI 1332.42, 16-17 (2009).

³⁹⁰ DoD FMR, Volume 7B, 54-17 (1999).

³⁹¹ Survivor Annuity Program Administration, DoDI 1332.42, 21-24 (2009).

³⁹² Ibid.

³⁹³ Department of Defense, Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year 2013*, May 2014, 218, accessed June 6, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

³⁹⁴ Ibid.

³⁹⁵ The Act of October 4, 1961, Pub. L. No. 87-381, § 2, 75 Stat. 810 (1961).

widows and eligible children would receive an annuity after their death. Under this Act, retired members were in effect allowed to pass on part of their retired pay to future survivors.³⁹⁶ The Act provided, however, that the mechanism for so doing had to be constructed on an actuarially self-supporting basis.³⁹⁷ Hence, a member's contribution costs (i.e., the amount of the reduction in the member's retired or retainer pay), were determined on the basis of the member's age and the age of the member's eligible dependents at the time of retirement, and by whether the member was retired for disability or nondisability.³⁹⁸ Under the original Contingency Option Plan, members could elect, before the completion of their eighteenth year of service, to leave their survivors an annuity of either one-half, one-fourth, or one-eighth of their initial retired pay, where the amount of such "retired pay" in the case of any particular individual was the amount of such pay as reduced by the amount of the contribution.³⁹⁹

The RSFPP proved to be expensive to the participants and inadequate because the survivor annuities were never adjusted for inflation and could not be more than 50 percent of retired pay.⁴⁰⁰ RSFPP was designed to be self-supporting in the sense that the present value of the reductions to retired pay equaled the present value of the survivor annuities.⁴⁰¹ Pub. L. No. 92-425 replaced the RSFPP with the SBP.⁴⁰² Despite numerous changes to the RSFPP statute, only 15 percent of eligible members participated in the program.⁴⁰³ The SBP participation rate has increased annually, and reached 80 percent starting in 2008.⁴⁰⁴

Although RSFPP was replaced by the SBP, RSFPP continues to cover those Service members who retired before 1972 but did not convert to the new plan, or who retained RSFPP in conjunction with SBP.⁴⁰⁵ RSFPP continues to pay survivor annuities.⁴⁰⁶

Financial Summary

In FY 2013, SBP payments totaled \$3.8 billion.⁴⁰⁷

³⁹⁶ The Uniformed Services Contingency Option Act of 1953, ch. 393, Pub. L. No. 83-239, § 3, 67 Stat. 501, 502 (1953).

³⁹⁷ The Uniformed Services Contingency Option Act of 1953, ch. 393, Pub. L. No. 83-239, § 4, 67 Stat. 501, 502-504 (1953).

³⁹⁸ Ibid.

³⁹⁹ Ibid.

⁴⁰⁰ Department of Defense, *Fiscal Year 2012, Military Retirement Fund Audited Financial Report*, 8, accessed June 6, 2014, http://comptroller.defense.gov/Portals/45/documents/cfs/fy2012/13_Military_Retirement_Fund/Fiscal_Year_2012_Military_Retirement_Fund_Financial_Statements_and_Notes.pdf.

⁴⁰¹ Government Accountability Office, *Actuarial Soundness of the DoD Survivor Benefit Plan Program*, GAO-06-837R (2006), accessed June 2, 2014, <http://www.gao.gov/assets/100/94369.pdf>.

⁴⁰² Act of September 21, 1972, Pub. L. No. 92-425, 86 Stat. 706 (1972).

⁴⁰³ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 737, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

⁴⁰⁴ Department of Defense, *2012 Annual DoD Actuary Statistical Report of the Military Retirement System*, 224, accessed May 7, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook11.pdf>.

⁴⁰⁵ Armed Forces, 10 U.S.C. §§ 1431-1436.

⁴⁰⁶ Ibid.

⁴⁰⁷ Department of Defense, Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year 2013*, May 2014, 25, accessed June 6, 2014, <http://actuary.defense.gov/Portals/15/Documents/statbook13.pdf>.

3.6.1. DEPENDENCY AND INDEMNITY COMPENSATION OFFSET

The Department of Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC) is paid to survivors of Service members or veterans who died from: (1) a disease or injury incurred or aggravated in the line of duty while on active duty or active-duty training, (2) an injury incurred or aggravated in the line of duty while on inactive duty for training, or (3) a disability compensable under laws administered by VA.⁴⁰⁸ DIC payments are non-taxable.⁴⁰⁹

The surviving spouse or former spouse of the retiree is entitled to DIC payments from the VA.⁴¹⁰ However, the spouse or former spouse is restricted by law from receiving the full amounts of both SBP and DIC benefits.⁴¹¹ The SBP benefit is offset by the amount of DIC received, although the total amount is equal to the full SBP benefit.⁴¹² If the DIC is paid to an SBP-eligible surviving spouse or former spouse, the portion of the deceased retiree's original SBP premiums that are related to the amount of the SBP payment reduction as a result of the DIC offset will be returned to the surviving spouse or former spouse,⁴¹³ with one exception. The Veterans Benefits Act of 2003 eliminated the SBP-DIC offset for surviving spouses who remarry after attaining the age of 57, and the surviving spouse is eligible to receive full payment of both SBP and DIC.⁴¹⁴ The elimination of the offset was reaffirmed by the U.S. Court of Appeals for the Federal Circuit in the case of *Sharp v. The United States* in August 2009.⁴¹⁵

3.6.2. SPECIAL SURVIVOR INDEMNITY ALLOWANCE

In 2009, the Congress created the Special Survivor Indemnity Allowance (SSIA) to partially offset the DIC offset.⁴¹⁶ At that time, those survivors subject to the SBP-DIC offset would receive \$50 a month.⁴¹⁷ The amount of the payment is set in statute and increases annually until reaching \$310 per month by January 2017.⁴¹⁸ The amount received under SSIA may not be greater than the amount of the SBP-DIC offset.⁴¹⁹ SSIA is set to terminate on October 1, 2017.⁴²⁰

3.7. UNEMPLOYMENT COMPENSATION

Unemployment Compensation for ex-Servicemembers (UCX) provides income support while former active-duty Service members, or Reserve and National Guard members

⁴⁰⁸ Armed Forces, 10 U.S.C. § 1310(a).

⁴⁰⁹ Veterans' Benefits, 38 U.S.C. § 5301(a).

⁴¹⁰ Armed Forces, 10 U.S.C. § 1310(a).

⁴¹¹ Armed Forces, 10 U.S.C. § 1450(c).

⁴¹² *Ibid.*

⁴¹³ Armed Forces, 10 U.S.C. § 1450(e).

⁴¹⁴ Veterans Benefits Act of 2003, Pub. L. No. 108-183, § 101, 117 Stat. 2651, 2652-2653 (2003).

⁴¹⁵ *Sharp v. United States*, 580 F.3d 1234 (2009).

⁴¹⁶ Thrift Savings Plan Enhancement Act of 2009, Pub. L. No. 111-31, § 201, 123 Stat. 1776, 1857-1858 (2009).

⁴¹⁷ Armed Forces, 10 U.S.C. § 1450(m)(2)(A).

⁴¹⁸ Armed Forces, 10 U.S.C. § 1450(m)(2)(I).

⁴¹⁹ Armed Forces, 10 U.S.C. § 1450(m)(3).

⁴²⁰ Armed Forces, 10 U.S.C. § 1450(m)(6).

released from more than 90 days of active duty, search for work.⁴²¹ Former Service members are treated the same as other unemployed workers with respect to benefit levels, waiting period for benefits, and benefit duration.⁴²²

UCX is a program mandated by Federal law⁴²³ but administered by State governments.⁴²⁴ The State unemployment insurance programs provide unemployment benefits to eligible workers who become unemployed through no fault of their own, and meet certain other eligibility requirements, such as being able to work, available for suitable full-time work, and seeking work.⁴²⁵

Former Service members may apply for UCX benefits in any State.⁴²⁶ This is different than in the civilian unemployment compensation program, where benefits are determined by the location of the unemployed worker's previous employment.⁴²⁷ Unemployment compensation eligibility criteria and benefits vary by State.

Unlike the larger U.S. unemployment insurance program, in which States fund unemployment compensation through a combination of employer taxes and employee paycheck deductions,⁴²⁸ funds are not deducted from Service members' paychecks to fund UCX benefits. Instead, States submit the amount of UCX disbursed by the State to the Federal Government for reimbursement and the former employing Service (for example, the U.S. Air Force) pays the amount from its operating budget.⁴²⁹ The Federal Government funds these UCX benefits through the transfers from the appropriate Military Services' budgets to the Unemployment Trust Fund to reimburse the appropriate States for the UCX benefits distributed to unemployed former Service members.⁴³⁰

When military members are separated from active duty either because of completion of a tour of duty, enlistment contract, disability retirement, as a result of the Selective Early Retirement Board, or regular retirement, and have not been unfavorably discharged, they may be eligible for unemployment compensation.⁴³¹ If former Service members were Reservists formerly on active duty, they must have been on active duty for at least 90 continuous days.⁴³²

By law, UCX benefits are not payable during periods in which the former Service member is eligible to receive certain allowances or educational assistance allowances from two Department of Veterans' Affairs programs—Survivors' and Dependents' Educational Assistance Program or the Vocational Rehabilitation and Education

⁴²¹ Government Organization and Employees, 5 U.S.C. § 8521(a)(1).

⁴²² Government Organization and Employees, 5 U.S.C. § 8502(b) (provides that compensation will be paid in the same amount, on the same terms, and subject to the same conditions as the compensation which would be payable under the unemployment compensation law of the State if Federal wages had been included as employment and wages under that State law). Government Organization and Employees, 5 U.S.C. § 8521(b) makes that provision applicable to ex-Service members.

⁴²³ Government Organization and Employees, 5 U.S.C. §§ 8521–8525.

⁴²⁴ Government Organization and Employees, 5 U.S.C. § 8502.

⁴²⁵ The Public Health and Welfare, 42 U.S.C. § 503. If a State's unemployment laws are compliant with the requirements found in the statute, that State is entitled to Federal funding for its unemployment program.

⁴²⁶ Government Organization and Employees, 5 U.S.C. § 8522.

⁴²⁷ Government Organization and Employees, 5 U.S.C. § 8504.

⁴²⁸ Internal Revenue Code, 26 U.S.C. § 3301.

⁴²⁹ Government Organization and Employees, 5 U.S.C. §§ 8505, 8509.

⁴³⁰ Government Organization and Employees, 5 U.S.C. § 8509.

⁴³¹ Government Organization and Employees, 5 U.S.C. §§ 8502, 8522.

⁴³² Government Organization and Employees, 5 U.S.C. § 8521(a)(1).

Program.⁴³³ The law does not preclude receipt of UCX benefits when a former Service member is receiving benefits from the Montgomery GI Bill or Post-9/11 GI Bill.⁴³⁴

Beneficiaries

The Department of Labor confirmed 77,569 people filed first-time claims for unemployment benefits in the military program in 2013, compared with 71,000 in 2008.⁴³⁵

Historical Context

The program for former military members started under a 1958 law aimed partly at helping troops transition from life in uniform to the private sector.⁴³⁶

Financial Summary

For FY 2013, approximately \$747 million in UCX benefits was distributed to former Service members.⁴³⁷

3.8. SOCIAL SECURITY COMPENSATION

Service members have paid into the contributory Social Security system since January 1, 1957.⁴³⁸ For the Old Age, Survivor, and Disability Insurance (OASDI) program, military Service members must contribute the employee portion of the OASDI payroll tax, with the Federal Government contributing the matching employer contribution.⁴³⁹ Only the basic pay of a military member constitutes wages for Social Security purposes.⁴⁴⁰ One feature of OASDI, unique to military personnel, grants a noncontributory wage credit of (a) \$300 for each quarter between 1956 and 1978 in which such personnel received military wages, and (b) up to \$1,200 per year after.⁴⁴¹ The purpose of this credit is to take into account elements of compensation, such as quarters and subsistence, not included in wages for Social Security benefit calculation purposes.⁴⁴²

Beneficiaries

As full participants in the Social Security system, military personnel are in general entitled to the same benefits and are subject to the same eligibility criteria and rules as other employees.⁴⁴³

⁴³³ Government Organization and Employees, 5 U.S.C. § 8525.

⁴³⁴ *Ibid.*

⁴³⁵ Department of Labor Economist, e-mail to MCRMC, March 11, 2014.

⁴³⁶ Ex-Servicemen's Unemployment Compensation Act of 1958, Pub. L. No. 85-848, § 3, 72 Stat. 1087, 1087-1088 (1958).

⁴³⁷ Department of Labor Economist, e-mail to MCRMC, March 11, 2014.

⁴³⁸ The Servicemen's and Veterans' Survivor Benefits Act, ch. 837, Pub. L. No. 84-881, § 401, 70 Stat. 857, 869-70 (1956).

⁴³⁹ Internal Revenue Code, 26 U.S.C. §§ 3101, 3111, 3121.

⁴⁴⁰ Internal Revenue Code, 26 U.S.C. § 3121(i)(2).

⁴⁴¹ The Public Health and Welfare, 42 U.S.C. § 429.

⁴⁴² Department of Defense, *Fiscal Year 2012 Military Retirement Fund Audited Financial Report*, 12, accessed May 15, 2014, http://comptroller.defense.gov/Portals/45/documents/cfs/fy2012/13_Military_Retirement_Fund/Fiscal_Year_2012_Military_Retirement_Fund_Financial_Statements_and_Notes.pdf.

⁴⁴³ The Public Health and Welfare, 42 U.S.C. § 402.

Historical Context

The Social Security Act of 1935 created a federal system of old-age benefits for retired workers who had been employed in industry or commerce.⁴⁴⁴ Beginning in 1946, the Congress enacted a series of amendments to the Social Security Act that extended some benefits to military personnel and their survivors.⁴⁴⁵ The Servicemen's and Veterans' Survivor Benefits Act brought members of the uniformed services on active duty into the contributory Social Security system effective January 1, 1957.⁴⁴⁶

Financial Summary

For FY 2013, DoD, the USCG, and NOAA paid \$4.4 billion in social security tax.⁴⁴⁷

3.9. FINANCIAL LITERACY IN THE MILITARY

DoD uses DoD Instruction 1342.22, *Military Family Readiness*, to establish policy, assign responsibilities, and establish procedures for providing military family readiness services to include setting requirements for financial education and counseling.⁴⁴⁸ Additional information on the Services' financial management programs is found in Section 5.1.10.4 of this report.

DoD policy requires the following:

- Organizational goals related to recruitment, retention, morale and operational readiness of the military force will incorporate personal and family life.
- Primary responsibility for well-being will fall to Service members and their families.
- Family readiness services correlate to the challenges associated with military service: mobilization and deployment readiness, mobility and financial readiness, and personal and family life readiness.
- Family readiness services will be provided in a collaborative manner that creates a network of agencies, programs, and services promoting readiness among military families.⁴⁴⁹

Responsibilities for implementing this policy are issued to DoD officials and Secretaries of the military departments. Examples of their duties include the following:

- sharing lessons learned between the Active and Reserve Components
- monitoring financial institutions operating on military installations in accordance with Volume 5, Chapter 34 of DoD 7000.14-R, the DoD Financial Management Regulation
- supporting Service members in preparing their families for their mission-related absence
- directing commanders to refer Service members for financial management services when notified those in their commands are experiencing financial difficulty or indebtedness⁴⁵⁰

⁴⁴⁴ The Social Security Act of 1935, ch. 531, Pub. L. No. 74-271, 49 Stat. 620 (1936).

⁴⁴⁵ Department of Defense, *Military Compensation Background Papers, Seventh Edition, November 2011*, 724, accessed May 14, 2014, http://militarypay.defense.gov/Docs/MC_All-Combined.pdf.

⁴⁴⁶ The Servicemen's and Veterans' Survivor Benefits Act, ch. 837, Pub. L. No. 84-881, § 401, 70 Stat. 857, 869-70 (1956).

⁴⁴⁷ Appropriated Budget Data, presented in Section 6.2 of this report.

⁴⁴⁸ Military Family Readiness, DoDI 1342.22, 1 (2012).

⁴⁴⁹ Ibid, 2.

DoD encourages Service members to adhere to the following eight financial readiness campaign pillars to help members and their families reach their financial goals and achieve financial freedom through personal financial management:

- maintain good credit
- achieve financial stability
- establish routine savings
- participate in the TSP and Savings Deposit Program
- sustain the Servicemembers' Group Life Insurance and other insurance
- encourage low-cost loan products as alternative to payday lending and predatory loans
- use low-cost Morale, Welfare, and Recreation programs
- preserve security clearances⁴⁵¹

Beneficiaries

All uniformed Service members and their dependents are eligible to receive financial management services.⁴⁵²

⁴⁵⁰ Ibid, 9-12.

⁴⁵¹ Ibid, 16.

⁴⁵² Ibid, 1.

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4. HEALTH BENEFITS

4.1. DEPARTMENT OF DEFENSE PROGRAMS

The Military Health System (MHS) performs two functions, albeit to different degrees. Primarily, the MHS maintains a healthy, ready military force and provides combat casualty care and humanitarian relief in theater.¹ The MHS also provides health care to family members, military retirees, survivors, and certain former spouses.² To perform these missions, the MHS comprises inpatient and outpatient facilities (usually Military Treatment Facilities (MTFs), but also facilities of the other nonmilitary uniformed services); military medical personnel; and network and non-network participating civilian health providers, facilities, and pharmacies.³

The MHS serves approximately 9.5 million beneficiaries.⁴ Worldwide, the MHS employs approximately 167,000 military and civilian medical professionals.⁵ For FY 2014, the MTF system was projected to include 56 hospitals and medical centers, 360 outpatient clinics, and 262 dental clinics.⁶

MTFs provide health care to the various beneficiary groups on a priority basis.⁷ Active-duty Service members may receive medical and dental care in any MTF of any service.⁸ Subject to the availability of space and facilities and to the capabilities of the staff, dependents of active-duty Service members are also entitled, upon request, to medical and dental care at an MTF.⁹ However, access to military Dental Treatment Facilities (DTFs) is restricted for those enrolled in the TRICARE Dental Program (TDP).¹⁰

¹ See generally Armed Forces, 10 U.S.C. ch. 55. See also Assistant Secretary of Defense for Health Affairs, DoDD 5136.01, 9-10 (2013), accessed May 19, 2014, <http://www.dtic.mil/whs/directives/corres/pdf/513601p.pdf>. “Defense Health Agency,” Military Health Service and Defense Health Agency, accessed May 19, 2014, <http://health.mil/About-MHS/Defense-Health-Agency>. “Global Preparedness and Response,” Military Health Service and Defense Health Agency, accessed May 19, 2014, <http://health.mil/Military-Health-Topics/Health-Readiness/Global-and-Domestic-Health-Preparedness-and-Response>.

² See generally Armed Forces, 10 U.S.C. ch. 55. See also “Defense Health Agency,” Military Health System and Defense Health Agency, accessed May 19, 2014, <http://www.health.mil/About-MHS/Defense-Health-Agency>. Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2014 Report to Congress*, 4, accessed June 20, 2014, <http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf>.

³ Ibid.

⁴ Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2014 Report to Congress*, 5, accessed June 20, 2014, <http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf>.

⁵ “Chief Human Capital Office,” Health.mil, accessed April 10, 2014, <http://www.health.mil/About-MHS/Organizational-Overview/Human-Capital-Office>.

⁶ Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2014 Report to Congress*, 11, accessed June 20, 2014, <http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf>.

⁷ Armed Forces, 10 U.S.C. § 1074.

⁸ Ibid.

⁹ Armed Forces, 10 U.S.C. § 1076.

¹⁰ Armed Forces, 10 U.S.C. § 1077(c). With limited exceptions, dependents of active duty, selected Reserve, and Individual Ready Reserve members enrolled in TDP may not obtain TDP-covered benefit services in military dental care facilities. The limited exceptions include: emergency treatment, dental care provided outside the United States, dental

Unlike active-duty Service members and their dependents, retirees are not entitled to receive health care at MTFs.¹¹ However, retirees may, upon request, receive medical and dental care in an MTF, subject to the availability of space and facilities and the capabilities of the medical and dental staff.¹²

DoD established the following priorities for access to health care in MTFs:¹³

- **Priority 1:** Active-duty Service members
- **Priority 2:** Family members of active-duty Service members who are enrolled in TRICARE Prime, (all TRICARE programs are discussed below), transitional survivors of Service members who died on active duty and who are enrolled in TRICARE Prime, and North Atlantic Treaty Organization/Partnership for Peace Status of Forces Agreement and other foreign military family members pursuant to applicable international agreements
- **Priority 3:** Retirees, their family members and survivors who are enrolled in TRICARE Prime, and TRICARE Plus beneficiaries when being appointed for primary care at the MTF where they are enrolled
- **Priority 4:** Family members of ACTIVE-duty Service members who are not enrolled in TRICARE Prime, transitional survivors of deceased active-duty Service members who are not enrolled in TRICARE Prime, and TRICARE Reserve Select beneficiaries
- **Priority 5:** Retirees, their family members, and survivors who are not enrolled in TRICARE Prime, and TRICARE Plus beneficiaries being appointed for specialty care at the MTF where they are enrolled

The MHS contracts with civilian providers (referred to as purchased care) to supplement MTFs (commonly called direct care).¹⁴ Three TRICARE regional offices manage purchased care.¹⁵ Health Net Federal Services provides contracted health care in the North, Humana Military Healthcare Services delivers care in the South, and UnitedHealthcare supports the West region.¹⁶

services incidental to medical services, and dental services provided to dependents 12 years of age or younger by postgraduate dental residents at a DTF under a dental education program.

¹¹ Armed Forces, 10 U.S.C. § 1074.

¹² Ibid.

¹³ Department of Defense, DOD Health Affairs Policy Memo 11-005, *TRICARE Policy for Access to Care*, accessed April 10, 2014,

<http://www.health.mil/~media/MHS/Policypercent20Files/Import/11-005.ashx>.

¹⁴ Department of Defense, *Evaluation of the TRICARE Program: Access, Cost, and Quality, Fiscal Year 2013 Report to Congress*, 4, accessed June 20, 2014,

http://tricare.mil/tma/dhcape/program/downloads/TRICARE2013%2002_28_13%20v2.pdf.

¹⁵ Ibid.

¹⁶ Ibid, 5.

Historical Context

In July 1775, the Congress established a “hospital” (technically a medical department).¹⁷ It was staffed with a director-general (chief physician), four surgeons, an apothecary (pharmacy), and nurses (who were usually wives or widows of military personnel) to care for military members.¹⁸ The Congress authorized and required the Secretaries of War, Navy, and Treasury to build Navy hospitals, with an initial appropriation of \$50,000, to begin in 1811.¹⁹ In 1818, Secretary of War John C. Calhoun established a permanent medical department.²⁰ In 1884, the Congress directed, “medical officers of the Army and contract surgeons shall whenever practicable attend the families of the officers and soldiers free of charge.”²¹ In 1943, the Congress authorized emergency maternity and infant care, providing for maternity and infant care for wives and children of enlisted Service members.²² The program was administered by State health agencies.²³

On December 7, 1956, the Dependents’ Medical Care Act became effective.²⁴ This law authorized ambulatory care for active-duty family members, effective October 1, 1956.²⁵ The Military Medical Benefits Amendments of 1966 created what would be called the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).²⁶ Amendments relating to outpatient care in civilian facilities for spouses and children of members of uniformed services on active duty for more than 30 days became effective October 1, 1966.²⁷ Retirees, their family members, and certain surviving family members of deceased military sponsors joined the program on January 1, 1967.²⁸ In the 1980s, the search for ways to improve access to top-quality medical care, while keeping costs under control, led to several CHAMPUS “demonstration” projects in various parts of the United States, a major one being the “CHAMPUS Reform Initiative” (CRI) in California and Hawaii.²⁹ CHAMPUS, now known as TRICARE, was “established for the purpose of implementing a comprehensive managed health care program for the delivery and financing of health care services in the Military Health System.”³⁰

¹⁷ Mary C. Gillett, *The Army Medical Department, 1775-1818* (Washington, DC: Government Printing Office, 1981), 22, accessed June 11, 2014, <http://history.amedd.army.mil/booksdocs/rev/gillett1/ch2.html>.

¹⁸ Ibid.

¹⁹ An Act Establishing Naval Hospitals, Statutes at Large, I-II, Chapter XXVI (1811).

²⁰ Mary C. Gillett, *The Army Medical Department, 1818-1865* (Washington, DC: Government Printing Office, 1981), 27, accessed June 11, 2014, http://history.amedd.army.mil/booksdocs/civil/gillett2/amedd_1818-1865_chpt2.html.

²¹ Act of 5 July 1884, Army Appropriations, Statutes at Large, XXIII, Chapter 217 (1884).

²² Labor-Federal Security Appropriation Act, 1944, Pub. L. No. 78-135, 57 Stat. 494, 497 (1943).

²³ Ibid.

²⁴ Dependents’ Medical Care Act, Pub. L. No. 84-569, 70 Stat. 250 (1956).

²⁵ Ibid.

²⁶ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, 80 Stat. 862 (1966).

²⁷ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 3, 80 Stat. 862, 866 (1966).

²⁸ Ibid.

²⁹ National Defense Authorization Act, 1987, Pub. L. No. 99-661, 100 Stat. 3816 (1986). Department of Defense Appropriations Act, 1988, Pub. L. No. 100-202, § 8104, 101 Stat. 1329, 1329-80 (1987).

³⁰ National Defense, 32 CFR 199.17(a).

The following table depicts the evolution of the DoD health care benefit:

Table 3. TRICARE Program and Benefits Timeline: FY 1995–FY 2013³¹

| | |
|------|--|
| 1956 | Dependents' Medical Care Act enacted ³² Authorized ambulatory care for active-duty family members began ³³ Dental care to dependents only in emergencies to relieve pain and suffering, as a necessary adjunct to the medical or surgical treatment for which the dependent is hospitalized, and OCONUS areas or remote CONUS locations where adequate civilian dental facilities were unavailable began ³⁴ |
| 1966 | Military Medical Benefits Amendments of 1966 adopted ³⁵ Types of medical care for dependents that can be provided in facilities of uniformed services defined ³⁶ Medical care payment provisions for dependents established ³⁷ |
| 1967 | CHAMPUS created ³⁸ Retirees, their family members, and certain surviving family members of deceased military sponsors brought into CHAMPUS ³⁹ |
| 1988 | CHAMPUS Reform Initiative (CRI) in CA and HI adopted ⁴⁰ CHAMPUS Prime introduced ⁴¹ |
| 1993 | CRI expanded in other States ⁴² The new program renamed "TRICARE." Three plan options introduced: TRICARE Prime, TRICARE Standard, and TRICARE Extra (CHAMPUS evolved into "TRICARE Standard") |
| 1995 | TRICARE benefit began in the Northwest Region Expanded Active-Duty Dental Benefit Plan began |
| 1996 | Cancer Treatment Clinic Trial demonstration began Requirement for outpatient nonavailability statement dropped TRICARE website launched |
| 1997 | National Mail Order Pharmacy program began TRICARE Standard/Extra added comprehensive preventive benefits TRICARE Retiree Dental Program began |
| 1998 | TRICARE implementation completed |
| 1999 | TRICARE Prime Remote benefit began Nonavailability statements requirement for maternity care instituted |
| 2000 | Expansion of TRICARE Retiree Dental Program to dependents began TRICARE benefits expanded to cover school physicals |

³¹ Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2014 Report to Congress*, March 15, 2013, 8, accessed June 20, 2014, <http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf> (unless otherwise cited).

³² Dependents' Medical Care Act, Pub. L. No. 84-569, 70 Stat. 250 (1956).

³³ Dependents' Medical Care Act, Pub. L. No. 84-569, § 103(f), 70 Stat. 250, 251 (1956).

³⁴ Dependents' Medical Care Act, Pub. L. No. 84-569, § 103(h), 70 Stat. 250, 252 (1956).

³⁵ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, 80 Stat. 862 (1966).

³⁶ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 2(4), 80 Stat. 862, 863 (1966).

³⁷ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, 80 Stat. 862 (1966).

³⁸ Ibid.

³⁹ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 3, 80 Stat. 862, 866 (1966).

⁴⁰ National Defense Authorization Act, 1987, Pub. L. No. 99-661, 100 Stat. 3816 (1986). Department of Defense Appropriations Act, 1988, Pub. L. No. 100-202, § 8104, 101 Stat. 1329, 1329-80 (1987).

⁴¹ Congressional Budget Office, *Reforming the Military Health Care System*, 36-38, accessed April 14, 2014, <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/84xx/doc8450/88-cbo-006.pdf>.

⁴² Department of Defense Appropriations Act, 1993, Pub. L. No. 102-396, § 9032, 106 Stat. 1876, 1907 (1992).

| | |
|------|--|
| 2001 | <p>TRICARE for Life benefit began⁴³</p> <p>TRICARE eliminated Prime copays for active-duty family members</p> <p>TRICARE Senior Pharmacy benefit began</p> <p>TRICARE simplified and reduced copay structure for prescription drugs</p> <p>Permanent chiropractic care benefit in MTFs for active-duty Service members instituted</p> <p>Medal of Honor recipients receive entitlement⁴⁴</p> <p>Certain travel expenses reimbursed⁴⁵</p> <p>School physicals for certain minor dependents covered⁴⁶</p> <p>TRICARE Plus program initiated⁴⁷</p> |
| 2002 | TRICARE Prime Remote benefit for active-duty family members began |
| 2003 | <p>TRICARE Prime Remote modified to allow family members residing in Prime Remote locations to remain enrolled when sponsors undergo Permanent Change of Station on unaccompanied tour</p> <p>Requirement for Guard/Reserve sponsor's activation orders TRICARE Global Remote Overseas benefit began</p> <p>Requirements for TRICARE Standard beneficiaries to obtain a nonavailability statement eliminated except for mental health</p> |
| 2004 | <p>Transitional Assistance Management Program coverage permanently extended to 180 days following active duty</p> <p>Elimination of nonavailability statements except for inpatient mental health⁴⁸</p> |
| 2005 | TRICARE Reserve Select benefit began |
| 2006 | Opportunity to purchase TRS extended to all qualifying members of the National Guard and Reserve |
| 2007 | <p>Anesthesia and other costs for dental care for certain children and other beneficiaries authorized</p> <p>Eligibility expanded for Selected Reserve members</p> <p>Claims processed under TRICARE program and Medicare program standardized</p> <p>Mental health screening and services for members of the Armed Forces enhanced</p> <p>TRS simplified and opened to all Reservists other than those with Federal Employees Health Benefits Plan</p> <p>Disease management program expanded to include TRICARE Standard beneficiaries⁴⁹</p> |
| 2008 | Mental health care program included in definition of health care |
| 2009 | <p>Active Duty Dental Program implemented</p> <p>TRICARE Pharmacy manufacturer refunds are established retroactive to January 2008</p> <p>Outpatient Prospective Payment System implemented</p> <p>Copays for preventive services for certain TRICARE Standard beneficiaries eliminated⁵⁰</p> |
| 2010 | <p>TRICARE Overseas Program began health care delivery</p> <p>TRICARE Retired Reserve program launched allowing retirees to purchase TRICARE health coverage for themselves and eligible family members</p> <p>Coverage for National Guard/Reserve for early eligibility expanded⁵¹</p> |

⁴³ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 712, 114 Stat. 1654A-1, 1654A-176 (2000).

⁴⁴ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 706, 114 Stat. 1654A-1, 1654A-175 (2000).

⁴⁵ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 758, 114 Stat. 1654A-1, 1654A-199 (2000).

⁴⁶ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 703, 114 Stat. 1654A-1, 1654A-174 (2000).

⁴⁷ Department of Defense, *Policy Memorandum to Refine Policy for Access to Care in Medical Treatment Facilities and Establish the TRICARE Plus Program* (Jun. 22, 2001), accessed April 14, 2014, <http://health.mil/~media/MHS/PolicyFiles/Import/01-015.ashx>.

⁴⁸ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 728, 114 Stat. 1654A-1, 1654A-189 (2000) (as amended by National Defense Authorization Act for FY 2002, Pub. L. No. 107-107, § 735, 115 Stat. 1012, 1171 (2001)).

⁴⁹ John Warner National Defense Authorization Act for FY 2007, Pub. L. No. 109-364, § 734, 120 Stat. 2083, 2299 (2006).

⁵⁰ Duncan Hunter National Defense Authorization Act for FY 2009, Pub. L. No. 110-417, § 711, 122 Stat. 4356, 4500 (2008).

⁵¹ Armed Forces, 10 U.S.C. § 1074(d).

| | |
|------|---|
| 2011 | TRICARE Young Adult began offering TRICARE Standard coverage to certain beneficiaries through age 25 TRICARE Pharmacy copay decreased for the home-delivery option and increased for retail pharmacy purchases TRICARE Prime enrollment fee adjusted and authorized to be changed annually except for survivors and certain significantly injured or ill retirees |
| 2012 | Copays for authorized preventive services eliminated TYA extended to offer TRICARE Prime coverage |
| 2013 | Copays increased for brand name and nonformulary medications that are not filled at military clinics or hospitals ⁵² Tobacco cessation medications covered through the TRICARE Pharmacy Home Delivery program ⁵³ Number of Prime Service Areas reduced ⁵⁴ |

Department of Defense Costs to Provide Health Benefits

Although the following sections describe TRICARE and other health benefit programs, budgetary funding for these individual programs cannot be determined. Instead, most DoD health benefits are funded centrally through the Defense Health Program (DHP).⁵⁵ As identified in Section 6, DHP funding was more than \$30 billion in FY 2013 and represented approximately eight percent of total compensation funding.⁵⁶ In addition, some costs of providing these benefits exist beyond the DHP. For example, the cost of the military medical personnel supporting the DHP is accounted for in the military personnel budget accounts and not the DHP budget account.⁵⁷ In FY 2013, these additional costs were approximately \$18 billion, providing a total cost of approximately \$48 billion for DoD funded health programs.

Furthermore, Medicare-eligible DoD beneficiaries are funded separately.⁵⁸ These benefits are funded in the budget at the point at which the government accrues the liability for the benefit through an accrual fund.⁵⁹ As identified in Section 6, DoD payments to this fund were approximately \$8 billion in FY 2013.⁶⁰ This total includes the normal cost contribution for future Medicare-eligible retirees and an amortization payment for the unfunded liability of existing retirees when the fund was created.

In FY 2013, 9.46 million people were eligible for the TRICARE benefit.⁶¹ Of those eligible beneficiaries, 8.03 million actually used the TRICARE program; however, only 5.19 million enrolled in the program.⁶² Figure 16 displays these figures, broken out by beneficiary category.

⁵² National Defense Authorization Act for FY 2013, Pub. L. No. 113-66, § 712, 127 Stat. 672, 793 (2013).

⁵³ TRICARE: Smoking Cessation Program, 78 Fed. Reg. 13236 (2013).

⁵⁴ TRICARE Operations Manual, 6010.56-M, Chapter 27, Section 1 (2008) (C-122, March 26, 2014) (2014).

⁵⁵ Appropriated Budget Data, presented in Section 6.2 of this report.

⁵⁶ Ibid.

⁵⁷ Under Secretary of Defense (Comptroller), *Defense Health Program Fiscal Year (FY) 2014 Budget Estimates Budget Item Justification, Procurement Program*, accessed June 5, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2014/budget_justification/pdf/09_Defense_Health_Program/VOL_II/VOL_II_Sec_2_Procurement_P-40_DHP_PB14.pdf.

⁵⁸ Appropriated Budget Data, presented in Section 6.2 of this report.

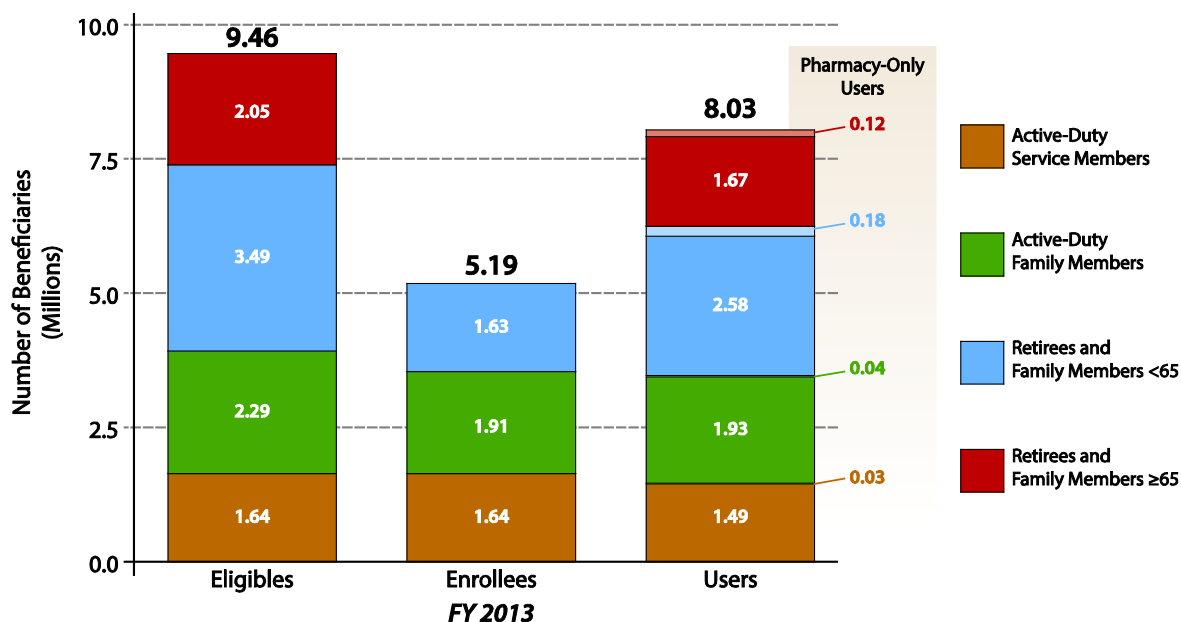
⁵⁹ Armed Forces, 10 U.S.C. § 1111.

⁶⁰ Appropriated Budget Data, presented in Section 6.2 of this report.

⁶¹ Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2014 Report to Congress*, 19, accessed June 20, 2014,

<http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf>.

⁶² Ibid.

Figure 16. Average Number of FY 2013 Eligibles, Enrollees, and Users⁶³

The President's Budget Proposals for FY 2015

The President's Budget for FY 2015 (PB15) includes three main TRICARE initiatives: the consolidation of TRICARE Prime, Standard, and Extra options into one plan, an adjustment in pharmacy copays, and the introduction of an enrollment fee for TFL beneficiaries.⁶⁴ DoD has proposed increasing cost-shares for pharmaceuticals and enrollment fees for TFL in past budget cycles.⁶⁵ The "consolidated TRICARE health plan" is a new initiative for FY 2015.⁶⁶

The consolidated TRICARE health plan proposal would have one TRICARE plan for active-duty Service members, family members, and non-Medicare eligible retirees. To participate, beneficiaries would be required to enroll each year. Retirees would pay an annual premium indexed to cost of living adjustments; active-duty Service members and their families would be exempt from paying an enrollment fee.⁶⁷ Most copays

⁶³ Ibid. Note: Numbers may not sum to bar totals due to rounding.

⁶⁴ For a description of the PB15 health care proposals, see Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2015 Budget Request Overview (March 2014)*, 5-10 – 5-14, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf.

⁶⁵ For example, the President's Budget for FY 2013 and FY 2014 included proposals to adjust pharmacy copays and establish an enrollment fee for TRICARE for Life. See Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2013 Budget Request Overview (February 2012)*, 5-3, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2013/FY2013_Budget_Request_Overview_Book.pdf. See also Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2014 Budget Request Overview (April 2013)*, 5-3, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf.

⁶⁶ For a description of the PB15 health care proposals, see Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2015 Budget Request Overview (March 2014)*, 5-10 – 5-14, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf.

⁶⁷ Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2015 Budget Request Overview (March 2014)*, 5-10 – 5-14, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf.

would increase and be tiered according to venue of care, ranging from the lowest at MTFs, with higher copays at in-network providers, and the highest at out-of-network providers. Under the proposal, MTFs would be free to active-duty Service members and their families, but would cost \$10 or \$20 for working-age retirees' primary care and specialist care, respectively. Deductibles, which in accordance with the current and proposed system only apply to out-of-network care, would increase, as would catastrophic caps.⁶⁸

Increased cost-sharing for pharmaceuticals would build on adjustments to pharmacy costs set forth in the NDAA FY 2013.⁶⁹ PB15 includes a gradual increase in pharmacy copays spanning 10 years and a requirement to fill maintenance medications at MTFs or through the TRICARE mail order pharmacy program.⁷⁰ Beneficiaries would continue to be able to fill prescriptions at MTFs for free.⁷¹

The PB15 proposal includes a TFL Enrollment Fee for Medicare-eligible retirees.⁷² Currently, retirees participating in TFL pay an annual premium for Medicare Part B, but not for TRICARE.⁷³ According to the PB15 proposal, future TFL beneficiaries would pay an annual fee based on their retired pay. The fee would be phased in during a four-year period and indexed to cost of living adjustments after FY 2018. Current users of TFL program would be grandfathered.⁷⁴

4.1.1. TRICARE PRIME

TRICARE Prime is a health benefit most closely resembling a Health Maintenance Organization (HMO), a type of health insurance plan that limits coverage to care from doctors who work for or contract with the plan.⁷⁵ Active-duty members are automatically enrolled in TRICARE Prime, as it is their only option; however, dependents of active-duty members must enroll, and enrollment is subject to availability.⁷⁶ Participants in the program must either choose a primary care manager (PCM) or be assigned one.⁷⁷ The PCM provides primary care and referrals for specialty care and nonemergent inpatient care.⁷⁸ TRICARE Prime gives beneficiaries priority access for treatment in military facilities.⁷⁹ Specialty care requires referrals and/or authorizations.⁸⁰ A point-of-service (POS) option permits enrollees to seek care from

⁶⁸ Ibid.

⁶⁹ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, §§ 702, 712, 716, 126 Stat. 1632 (2013).

⁷⁰ Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2015 Budget Request Overview (March 2014)*, 5-13, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf.

⁷¹ Ibid.

⁷² Ibid, 5-11 and 5-14.

⁷³ "TRICARE for Life," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TFL.aspx>.

⁷⁴ Office of the Undersecretary of Defense (Comptroller), *United States Department of Defense Fiscal Year 2015 Budget Request Overview (March 2014)*, 5-11 and 5-14, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/fy2015_Budget_Request_Overview_Book.pdf.

⁷⁵ Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

⁷⁶ National Defense, 32 CFR 199.17(c)(1). See also National Defense, 32 CFR 199.17(c)(2). (Exception to this rule found in 32 CFR 199.17(b)(3) where certain dependents are automatically enrolled in TRICARE Prime.)

⁷⁷ National Defense, 32 CFR 199.17(n)(2).

⁷⁸ Ibid.

⁷⁹ National Defense, 32 CFR 199.17(n)(1)(ii).

⁸⁰ National Defense, 32 CFR 199.17(n)(2).

providers other than the assigned PCM without a referral, but with higher deductibles and cost shares than those under TRICARE Standard.⁸¹

Beneficiaries

The following beneficiaries are eligible for TRICARE Prime:⁸²

- active-duty Service members and their family members
- retired Service members and their family members (when retired service members and their families become eligible for TRICARE for Life, they are no longer able to enroll in TRICARE Prime)
- activated Reserve and National Guard members and their family members
- nonactivated Reserve and National Guard members, and their family members, who qualify for care under the Transitional Assistance Management Program (TAMP) (see Section 4.1.13.3)
- retired Reserve and National Guard members (age 60 and receiving retirement pay) and their family members
- qualified survivors
- Medal of Honor recipients and their family members
- qualified former spouses

Financial Summary

The following highlights the costs for TRICARE Prime:

- For active-duty Service members and their families, surviving spouses (during the first three years), and surviving dependent children enrolled in TRICARE Prime, there are no costs.⁸³
- In FY 2014, retired Service members, their families, surviving spouses (after first three years), and eligible former spouses pay an annual premium of \$273.84 for an individual and \$547.68 for a family (two or more people).⁸⁴
- Retired Service members, their families, surviving spouses (after first three years), and eligible former spouses pay no annual deductible or copays for clinical preventive services on this plan. This group does, however, pay a \$12 copayment for outpatient visits.⁸⁵

As reflected in Figure 17, participant fees for families and survivors of retirees under age 65 enrolled in TRICARE Prime were set in 1995 and remained unchanged at \$230 per year for individual plans and \$460 per year for family plans until October 1, 2011.⁸⁶ Costs for retirees who were already in the program, as well as survivors of active-duty Service members and medically retired participants, remained at \$230 and \$460 per year until September 30, 2012. Beneficiaries who joined TRICARE Prime in FY 2012 paid \$260 for an individual plan and \$520 for a family plan.⁸⁷ For FY 2013

⁸¹ National Defense, 32 CFR 199.17(n)(3).

⁸² National Defense, 32 CFR 199.17. National Defense, 32 CFR 199.3. National Defense, 32 CFR 199.25(a)(4)(iv). TRICARE Enrollment Policy for Activating Reserve Component Members and Their Families, Office of the Assistant Secretary of Defense, HA Policy 10-007 (2010). "TRICARE Prime," accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/Prime.aspx>.

⁸³ Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

⁸⁴ Ibid.

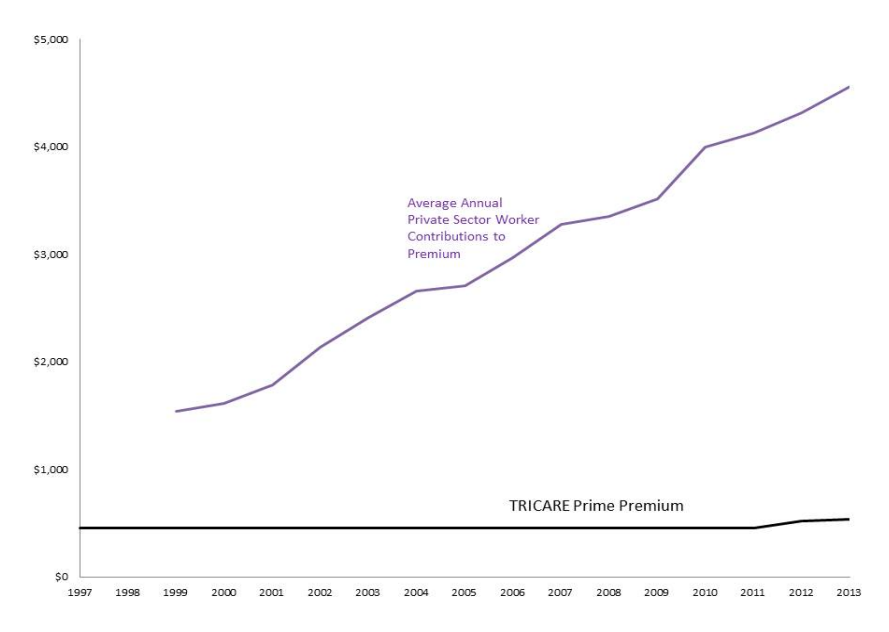
⁸⁵ Ibid.

⁸⁶ Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2012 Report to Congress*, 7, accessed June 20, 2014, http://mldc.whs.mil/public/docs/library/health/2012_-_DoD_-_TRICARE_Evaluation_Report_-_FY12.pdf.

⁸⁷ Ibid.

the premiums for retirees rose at the rate of COLA.⁸⁸ Between 1999 and 2013, the TRICARE Prime annual premium rose 17 percent.⁸⁹ In comparison, private sector workers' annual premiums for their health insurance plans rose from approximately \$1,500 in 1999 to more than \$4,500 in 2013, an increase of 196 percent.⁹⁰

Figure 17. Annual Family Enrollment Fees (Premiums)^{91,92}



4.1.2. TRICARE STANDARD

TRICARE Standard is a fee-for-service, non-network plan.⁹³ TRICARE Standard preserves broad freedom of choice of civilian providers, but does not offer reduced out-of-pocket costs.⁹⁴ These beneficiaries continue to be eligible to receive care in MTFs on a space available basis.⁹⁵ All beneficiaries pay cost shares; with TRICARE Extra,

⁸⁸ Department of Defense, *Evaluation of the TRICARE Program: Access, Cost, and Quality, Fiscal Year 2013 Report to Congress*, 7, accessed June 20, 2014, http://tricare.mil/tma/dhcape/program/downloads/TRICARE2013%2002_28_13%20v2.pdf.

⁸⁹ Ibid. TRICARE Management Activity, Office of Communications & Customer Service, *TRICARE 2000 Stakeholders' Report, Vol. II*, accessed June 11, 2014, http://www.tricare.mil/stakeholders/downloads/stakeholders_2000.pdf.

⁹⁰ "Employer Health Benefits: 2013 Annual Survey," The Kaiser Family Foundation and Health Research & Educational Trust, 75, accessed April 14, 2014, <http://kff.org/private-insurance/report/2013-employer-health-benefits/>.

⁹¹ Data from the Kaiser Family Foundation and Health Research & Educational Trust, *Employer Health Benefits: 2013 Annual Survey, August 2013*, 75, accessed April 14, 2014, <http://kaiserfamilyfoundation.files.wordpress.com/2013/08/8465-employer-health-benefits-20132.pdf>. Department of Defense, *Evaluation of the TRICARE Program, Fiscal Year 2012 Report to Congress*, 7, accessed June 20, 2014, http://mldc.whs.mil/public/docs/library/health/2012_-_DoD_-_TRICARE_Evaluation_Report_-_FY12.pdf. Department of Defense, *Evaluation of the TRICARE Program: Access, Cost, and Quality, Fiscal Year 2013 Report to Congress*, 7, accessed June 20, 2014, http://tricare.mil/tma/dhcape/program/downloads/TRICARE2013%2002_28_13%20v2.pdf.

⁹² Only non-Medicare eligible retirees and their family members pay TRICARE Prime premiums.

⁹³ National Defense, 32 CFR 199.17(a)(6)(ii)(C). National Defense, 32 CFR 199.17(f). Department of Defense, *Evaluation of the TRICARE Program Fiscal Year 2014 Report to Congress*, 5, accessed June 20, 2014, <http://www.tricare.mil/tma/congressionalinformation/downloads/TRICARE%20Program%20Effectiveness%20%28FY%202014%29%201.pdf>.

⁹⁴ National Defense, 32 CFR 199.17(a)(6)(ii)(C).

⁹⁵ Ibid.

however, beneficiaries pay a reduced percentage if they select providers or services within the TRICARE network (see TRICARE Extra).⁹⁶

TRICARE Standard does not require enrollment or associated fees, but does include an annual deductible for outpatient services and cost-shares for most services.⁹⁷ Coverage under this plan is automatic as long as the individual is eligible for TRICARE when registered in the Defense Enrollment Eligibility Reporting System (DEERS).⁹⁸ TRICARE Prime enrollees retain the freedom to obtain services from civilian providers on a point-of-service basis. In such cases, all requirements applicable to standard CHAMPUS shall apply, except there are larger deductible and cost sharing requirements.⁹⁹ TRICARE Standard beneficiaries who are eligible for Medicare based on age (and are enrolled in Medicare Part B) are automatically covered under TRICARE Standard.¹⁰⁰

Beneficiaries

The following beneficiaries are eligible for TRICARE Standard:¹⁰¹

- family members of active-duty Service members
- retired Service members and their family members
- family members of activated Reserve and National Guard members
- nonactivated Reserve and National Guard members, and their family members, who qualify for care under TAMP (see Section 4.1.13.3)
- retired Reserve and National Guard members (age 60 and receiving retirement pay) and their family members
- qualified survivors
- Medal of Honor recipients and their family members
- qualified former spouses

Financial Summary

TRICARE Standard annual deductible and cost-shares vary depending on beneficiary status (e.g. active-duty family member, retiree), rank, and services required.¹⁰²

Annual deductible amounts range from \$0 for family members of Reserve or Guard members ordered to active service for more than 30 consecutive days in support of a contingency operation, to \$100 for a family with sponsor rank of E-4 or lower, to \$300 for a family with sponsor rank of E-5 or higher, retirees, and all others.¹⁰³

⁹⁶ National Defense, 32 CFR 199.17(a)(6)(ii)(B). National Defense, 32 CFR 199.17(e). Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

⁹⁷ National Defense, 32 CFR 199.17(m). Department of Defense, *TRICARE Standard Fact Sheet*, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/TSE_FS.pdf.

⁹⁸ "TRICARE Standard and Extra," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TSE.aspx>.

⁹⁹ National Defense, 32 CFR 199.17(n)(3).

¹⁰⁰ National Defense, 32 CFR 199.17(c).

¹⁰¹ Ibid. "TRICARE Standard and Extra," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TSE.aspx>.

¹⁰² Department of Defense, *TRICARE Choices at a Glance*, 6, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁰³ Ibid.

The range of cost shares depends on the type of plan and type of service. The following are examples:

- 20 percent of allowable charges (after deductible is met) for services including outpatient visits, ambulance services, and clinical preventive services
- hospitalization charges of \$17.65 per day for active-duty family members (ADFM) and TRICARE Reserve Select (TRS)
- \$744 per day or 25 percent of billed charges for institutional services, whichever is less, plus 25 percent cost share for separately billed services for retirees and all others
- \$25 for ambulatory surgery for ADFM and TRS or 25 percent for retirees and all others¹⁰⁴

4.1.3. TRICARE EXTRA

TRICARE Extra is similar to TRICARE Standard, but is the option considered most similar to Preferred Provider Organization (PPO) plans.¹⁰⁵ It is a fee-for-service option with no enrollment and the same annual deductible amounts; however, if beneficiaries visit providers who are in the TRICARE network, they pay reduced cost shares.¹⁰⁶

Beneficiaries

TRICARE Extra beneficiaries are the same as those eligible for TRICARE Standard:¹⁰⁷

- family members of active-duty Service members
- retired Service members and their family members
- family members of activated Reserve and National Guard members
- nonactivated Reserve and National Guard members, and their family members, who qualify for care under TAMP (see Section 4.1.13.3)
- retired Reserve and National Guard members (age 60 and receiving retirement pay) and their family members
- qualified survivors
- Medal of Honor recipients and their family members
- qualified former spouses

Financial Summary

TRICARE Extra has the same annual deductible amounts as TRICARE Standard.¹⁰⁸ The range of TRICARE Extra cost shares includes the following:¹⁰⁹

- 15 percent of allowable charges (after deductible is met) for ADFM and TRS, and 20 percent for retirees and others, for services including outpatient visits, ambulance services, and clinical preventive services
- hospitalization charges of \$17.65 per day for ADFM and TRS (same as TRICARE Standard), and \$250 per day or 25 percent of billed charges for institutional

¹⁰⁴ Ibid.

¹⁰⁵ National Defense, 32 CFR 199.17(a)(6)(ii)(B). "TRICARE Standard and Extra," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TSE.aspx>.

¹⁰⁶ National Defense, 32 CFR 199.17(e). Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁰⁷ National Defense, 32 CFR 199.17(a)(6)(ii)(B). National Defense, 32 CFR 199.17(e). "TRICARE Standard and Extra," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TSE.aspx>.

¹⁰⁸ Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁰⁹ Ibid.

services, whichever is less, plus 20 percent cost share for separately billed services for retirees and all others

- \$25 for ambulatory surgery for ADFM/TRS (same as TRICARE Standard) or 20 percent for retirees and all others, after the annual deductible is met

4.1.4. TRICARE RESERVE SELECT

TRICARE Reserve Select is a premium-based plan, similar to TRICARE Standard for active-duty dependents, available for qualified members of the Selected Reserve of the Ready Reserve and their families.¹¹⁰ Members must enroll to participate, and beneficiaries may receive care from any TRICARE-authorized provider without referrals.¹¹¹ If TRICARE Reserve Select beneficiaries receive care from network providers, cost shares are lower than if beneficiaries are seen by non-network providers.¹¹² Additionally network providers will submit the claims for beneficiaries, but doing so is optional for non-network providers.¹¹³

Beneficiaries

Beneficiaries for TRICARE Reserve comprise members of the Selected Reserve of the Ready Reserve and their families. Members of the Selected Reserve of the Ready Reserve must meet the criteria below to participate in this plan:¹¹⁴

- not on active-duty orders
- not covered under TAMP
- not eligible for or enrolled in the Federal Employees Health Benefits Program (FEHBP), either under their own eligibility or through a family member

Financial Summary

There is a range of cost shares that depends on type of plan and type of service. The following are examples:

- Premium rates are established annually for a calendar year. Current monthly premium rates are \$51.68 for member-only and \$204.29 for member and family.
- Cost shares vary based on what service is obtained and whether or not providers are in the TRICARE network. Generally, the cost-share is 15 percent of negotiated rates for within network care, and 20 percent for out-of-network care.¹¹⁵

¹¹⁰ National Defense, 32 CFR 199.24(a)(1). Department of Defense, *TRICARE Choices at a Glance*, 4, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹¹¹ Department of Defense, *TRICARE Choices at a Glance*, 4, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹¹² National Defense, 32 CFR 199.24(a)(5)(iv).

¹¹³ Department of Defense, *TRICARE Choices at a Glance*, 11, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹¹⁴ "TRICARE Reserve Select," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TRS.aspx>.

¹¹⁵ "TRICARE Reserve Select Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TRS.aspx>.

4.1.5. TRICARE RETIRED RESERVE

TRICARE Retired Reserve is a premium-based plan available worldwide for purchase by qualified retired Reserve members, their families, and qualified survivors.¹¹⁶

Beneficiaries

The following beneficiaries are eligible for TRICARE Retired Reserve:¹¹⁷

- retired Reserve members who meet the following criteria:
 - members of the retired Reserve of a Reserve Component who are qualified for nonregular retirement under 10 U.S.C. Chapter 1223
 - younger than age 60
 - not eligible for, or enrolled in, a health benefits plan under chapter 89 of title 5, U.S.C. (e.g., FEHBP)
- family members of qualified Retired Reserve members
- survivors of retired Reserve members if they meet the following criteria:
 - the sponsor was covered by TRICARE Retired Reserve when he or she died
 - survivors are immediate family members of the deceased sponsor (spouses cannot have remarried)
 - TRICARE Retired Reserve coverage began before the date the deceased sponsor would have turned 60 years old

Retired Reserve Component personnel who elect to participate in TRICARE Retired Reserve become eligible for the same TRICARE Standard, TRICARE Extra, or TRICARE Prime options as active component retirees when the Service member reaches age 60.¹¹⁸

Financial Summary

Premium rates are established annually for a calendar year.¹¹⁹ The government does not subsidize these premiums, and current monthly premium rates are \$390.99 for individuals or \$956.65 for families.¹²⁰ Cost shares vary based on services obtained and whether or not providers are in the TRICARE network. Generally, the cost share is 20 percent of negotiated rates within network and 25 percent outside the network.¹²¹

4.1.6. TRICARE FOR LIFE

Considered a Medicare wrap-around option, TRICARE for Life (TFL) offers secondary coverage to Medicare.¹²² All beneficiaries must have Medicare Part A and Medicare Part B.¹²³ For services covered by both Medicare and TRICARE, in the United States and U.S. territories, Medicare pays first and TFL pays the remaining coinsurance for

¹¹⁶ National Defense, 32 CFR 199.25(b). "TRICARE Retired Reserve Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TRR.aspx>.

¹¹⁷ National Defense, 32 CFR 199.25(b). National Defense, 32 CFR 199.25(d)(1)(iv).

¹¹⁸ Armed Forces, 10 U.S.C. § 1076e(b).

¹¹⁹ "TRICARE Retired Reserve Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TRR.aspx>.

¹²⁰ Ibid.

¹²¹ "TRICARE Retired Reserve Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TRR.aspx>.

¹²² Armed Forces, 10 U.S.C. § 1086(d)(3).

¹²³ Armed Forces, 10 U.S.C. § 1086(d).

TRICARE-covered services.¹²⁴ This benefit is available worldwide. In overseas locations, TRICARE is the only payer.¹²⁵ TFL beneficiaries may see Medicare-participating, nonparticipating, or opt-out providers, though they will incur out-of-pocket expenses when they are treated by opt-out providers.¹²⁶

Beneficiaries

Retirees and their families are eligible for TRICARE for Life when they have Medicare Part A and are enrolled in Medicare Part B.¹²⁷ When members and their families are covered by both Medicare and TRICARE, Medicare is the first payer, and TFL is the second payer, assuming remaining coinsurance responsibility for services are also covered by TFL. Providers file their claims with Medicare, and after Medicare pays, providers subsequently forward the claim to TFL for processing.¹²⁸ When services are not covered by Medicare, TFL is the only payer, and Medicare pays nothing.¹²⁹

Before TRICARE benefits commence, the beneficiary must pay the annual TRICARE deductible and then is responsible for cost shares. When services are covered only by Medicare, Medicare is the only payer, and TFL pays nothing.¹³⁰ In such cases, the beneficiary must first meet the Medicare deductible and then pay the appropriate coinsurance. The beneficiary must pay the entire bill if neither Medicare nor TRICARE covers services provided.¹³¹

Financial Summary

There are no enrollment fees for TFL.¹³² TFL beneficiaries must pay Medicare Part B monthly premiums to maintain health care coverage through TFL.¹³³ Beneficiaries will pay out-of-pocket expenses if they seek care from VA providers or providers who opt out of Medicare, because neither is permitted to bill Medicare.¹³⁴

Medicare

Health Insurance for the Aged and Disabled—more commonly known as Medicare—falls under Title XVIII of the Social Security Act.¹³⁵ The Medicare Program became law in July 1965.¹³⁶ Medicare has five parts: Part A – Hospital Insurance Benefits for the Aged and Disabled;¹³⁷ Part B – Supplementary Medical Insurance Benefits for the Aged and Disabled;¹³⁸ Part C – Medicare+Choice Program;¹³⁹ Part D – Voluntary Prescription Drug Benefits;¹⁴⁰ and Part E – Miscellaneous Provisions.¹⁴¹

¹²⁴ Ibid.

¹²⁵ Department of Defense, *TRICARE for Life*, 5, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/TFL_FS.pdf.

¹²⁶ Department of Defense, *TRICARE Choices at a Glance*, 4, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹²⁷ Armed Forces, 10 U.S.C. § 1086(d). “Retired Service Members and Families,” Department of Defense, accessed April 14, 2014, <http://www.tricare.mil/welcome/eligibility/RSMandFamilies.aspx>.

¹²⁸ “TRICARE for Life,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TFL.aspx>.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² Ibid.

¹³³ Ibid.

¹³⁴ Ibid. “Using TRICARE for Life at Veterans Affairs Facilities,” Department of Defense, accessed June 20, 2014, http://www.tricare.mil/Plans/HealthPlans/TFL/TFL_VA.aspx.

¹³⁵ The Public Health and Welfare, 42 U.S.C., Chapter 7, subchapter XVIII.

¹³⁶ Social Security Amendments of 1965, Pub. L. No. 89-97, 79 Stat. 286 (1965).

¹³⁷ The Public Health and Welfare, 42 U.S.C. § 1395c.

¹³⁸ The Public Health and Welfare, 42 U.S.C. § 1395j.

Medicare Part A protects those eligible for Medicare (usually age 65 and older) against hospital, home health services, and hospice care costs.¹⁴² Medicare Part A receives funding through the Federal Hospital Insurance Trust Fund, which is sourced from employment taxes and other sources such as income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Medicare Part A premiums from people who are required to pay for Part A services.¹⁴³ Service members pay FICA-Medicare taxes by receiving individual income; therefore, they are, in general, entitled to the same benefits and are subject to the same eligibility criteria and rules as any civilian employee with regard to Medicare.¹⁴⁴

Medicare Part B is a voluntary insurance program, funded through premium payments by enrollees and Federal Government appropriated funds.¹⁴⁵

Medicare Part C allows eligible beneficiaries a choice to receive benefits through Medicare+Choice available plans.¹⁴⁶ Following the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Medicare+Choice plans were subsequently known by their current moniker, Medicare Advantage.¹⁴⁷ A private organization that contracts with Medicare provides Medicare Advantage plans, and includes the benefits of Medicare Parts A, B, and sometimes D within one single plan.¹⁴⁸

Medicare Part D is further divided into Subpart 1 – Eligible Individuals and Prescription Drug Benefits;¹⁴⁹ Subpart 2 – Prescription Drug Plans; PDP Sponsors; Financing;¹⁵⁰ Subpart 3 – Application to Medicare Advantage Program and Treatment of Employer-Sponsored Programs and Other Prescription Drug Plans;¹⁵¹ Subpart 4 – Medicare Prescription Drug Discount Card and Transitional Assistance Program;¹⁵² and Subpart 5 – Definitions and Miscellaneous Provisions.¹⁵³

Medicare Part E contains a variety of provisions, including exclusions from coverage, agreements with States, advisory councils, and demonstration programs.¹⁵⁴

¹³⁹ The Public Health and Welfare, 42 U.S.C. § 1395w-21.

¹⁴⁰ The Public Health and Welfare, 42 U.S.C. §§ 1395w-101-1395w-154.

¹⁴¹ The Public Health and Welfare, 42 U.S.C. §§ 1395x-1395kkk-1.

¹⁴² The Public Health and Welfare, 42 U.S.C. § 1395c.

¹⁴³ “How is Medicare Funded?” Medicare.gov, accessed April 14, 2014, <http://www.medicare.gov/about-us/how-medicare-is-funded/medicare-funding.html>. The Public Health and Welfare, 42 U.S.C. § 1395i. 26 U.S.C. §§ 1401, 3101, and 3111.

¹⁴⁴ The Servicemen’s and Veterans’ Survivor Benefits Act, ch. 837, Pub. L. No. 84-881, § 401, 70 Stat. 857, 869–70 (1956).

¹⁴⁵ The Public Health and Welfare, 42 U.S.C. § 1395j. “How is Medicare Funded?” Medicare.gov, accessed April 14, 2014, <http://www.medicare.gov/about-us/how-medicare-is-funded/medicare-funding.html>.

¹⁴⁶ The Public Health and Welfare, 42 U.S.C. § 1395w-21.

¹⁴⁷ Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, 117 Stat. 2066 (2003).

¹⁴⁸ Public Health, 42 CFR 422.4.

¹⁴⁹ The Public Health and Welfare, 42 U.S.C. §§ 1395w-101-1395w-104.

¹⁵⁰ The Public Health and Welfare, 42 U.S.C. §§ 1395w-111-1395w-116.

¹⁵¹ The Public Health and Welfare, 42 U.S.C. §§ 1395w-131-1395w-134.

¹⁵² The Public Health and Welfare, 42 U.S.C. § 1395w-141.

¹⁵³ The Public Health and Welfare, 42 U.S.C. §§ 1395w-151-1395w-154.

¹⁵⁴ The Public Health and Welfare, 42 U.S.C. § 1395x-42. The Public Health and Welfare, 42, U.S.C. § 1395kkk-1.

4.1.7. TRICARE YOUNG ADULT

TRICARE Young Adult (TYA) is a premium-based program for qualified military dependents younger than 26.¹⁵⁵ Enrollees pay 100 percent of the premium.¹⁵⁶ Eligible beneficiaries include unmarried, adult children who are no longer eligible for regular TRICARE coverage due to age. The plan meets the minimal essential coverage requirement of The Affordable Care Act.¹⁵⁷ TYA requires enrollment, and includes medical and pharmacy benefits, but excludes dental benefits.¹⁵⁸ There is only individual coverage available under TYA.¹⁵⁹

TYA offers Prime and Standard options worldwide, with costs based on which program is selected, where medical care is received, and status of the military sponsor.¹⁶⁰ TYA coverage corresponds with the benefits of the TRICARE program selected (Prime or Standard), including access to MTFs and pharmacies as the plan permits.¹⁶¹ Access to MTFs is based on the program selected (Prime or Standard), the corresponding access priority, and status of the military sponsor.¹⁶²

Beneficiaries

To qualify for TYA, an individual must meet the following criteria:¹⁶³

- be an unmarried, adult child of an eligible sponsor
- be at least 21 years old but not yet 26 years old
 - if enrolled in a full course of study at an approved institution of higher learning and your sponsor provides more than 50 percent of your financial support, your eligibility may not begin until age 23 or upon graduation, whichever comes first
- not be eligible to enroll in an employer-sponsored health plan based on the adult child's own employment
- not otherwise be eligible for TRICARE coverage

Financial Summary

Premiums for TYA coverage represent the full cost of the program, to include administrative costs associated with providing TRICARE benefits for those eligible for TYA.¹⁶⁴ The monthly cost-share for the program must equal the cost of coverage.¹⁶⁵ TYA premiums and costs are based on which program is selected, the sponsor's military status (active duty or retired), and where the care is received.¹⁶⁶

¹⁵⁵ National Defense, 32 CFR 199.26.

¹⁵⁶ National Defense, 32 CFR 199.26(c). "TRICARE Young Adult," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TYA.aspx>.

¹⁵⁷ Armed Forces, 10 U.S.C. § 1110b. National Defense, 32 CFR 199.26(a).

¹⁵⁸ National Defense, 32 CFR 199.26(a)(4)(i)(B). Department of Defense, *TRICARE Choices at a Glance*, 5, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁵⁹ National Defense, 32 CFR 199.26(a)(4)(ii).

¹⁶⁰ "TRICARE Young Adult," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TYA.aspx>.

¹⁶¹ National Defense, 32 CFR 199.26(a)(4)(iv).

¹⁶² *Ibid*.

¹⁶³ Armed Forces, 10 U.S.C. § 1110b(b). National Defense, 32 CFR 199.26(a)(4)(i). "TRICARE Young Adult," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TYA.aspx>.

¹⁶⁴ National Defense, 32 CFR 199.26(c).

¹⁶⁵ Armed Forces, 10 U.S.C. § 1110b(c)(2).

¹⁶⁶ National Defense, 32 CFR 199.26(a)(4)(iv). National Defense, 32 CFR 199.26(c).

Currently, the premium for the TYA Standard program is \$156 per month.¹⁶⁷ TYA Standard enrollees pay a deductible that varies, according to sponsor's pay grade, from \$50 to \$150 per year, with a \$300 per family maximum.¹⁶⁸

The premium for TYA Prime is \$180 per month.¹⁶⁹ For dependents of active-duty sponsors there are no out-of-pocket costs unless beneficiaries use the point-of-service (POS) option (no referral authorization).¹⁷⁰ Adult children of retired sponsors pay copayments ranging from \$0 to \$40, depending on the care obtained.¹⁷¹

4.1.8. TRICARE PRIME REMOTE

TRICARE Prime Remote (TPR) provides TRICARE Prime benefits to certain eligible beneficiaries who both live and work in designated remote locations that are generally more than 50 miles or an hour drive from an MTF.¹⁷² Enrollment is required.¹⁷³

Beneficiaries

TPR beneficiaries include active-duty Service members and Reserve and National Guard members who are on active-duty orders for more than 30 consecutive days, and their family members, whose permanent duty assignment and residence are more than 50 miles or approximately one hour from an MTF or military clinic designated adequate by the Executive Director, Defense Health Agency (DHA).¹⁷⁴ If a member dies while on active duty for 30 days or more, and the death occurred on or after October 7, 2001, the surviving spouse may retain coverage for three years.¹⁷⁵ Surviving dependent children of a member who dies under these same conditions may continue enrollment for three years from the active-duty sponsor's death, until they reach their 21st birthday, or until they are 23 years old and are no longer pursuing full-time education prior to turning 23 years old [following the same eligibility requirements for surviving dependent children as TRICARE Prime].¹⁷⁶ If TRICARE network providers are unavailable in the remote location, then care may be received from non-network TRICARE-authorized providers.¹⁷⁷ Although the beneficiary cost sharing requirements under TPR remain the same as those under TRICARE Prime, when TRICARE network

¹⁶⁷ Department of Defense, *TRICARE Choices at a Glance*, 5, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁶⁸ "TRICARE Young Adult-Standard Option Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TYA/StandardOption.aspx>.

¹⁶⁹ "TRICARE Young Adult Prime Costs," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/TYA/PrimeOption.aspx>.

¹⁷⁰ *Ibid.*

¹⁷¹ *Ibid.*

¹⁷² National Defense 32 CFR 199.17(g). National Defense, 32 CFR 199.16(e). "TRICARE Prime Remote," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPR.aspx>.

¹⁷³ National Defense, 32 CFR 199.17(g)(4). National Defense, 32 CFR 199.16(e)(3).

¹⁷⁴ National Defense, 32 CFR 199.17(g)(3). National Defense, 32 CFR 199.16(e)(2). Department of Defense, *TRICARE Prime Remote Fact Sheet*, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/TPR_FS.pdf. *Note:* 32 CFR 199 refers to TRICARE Management Authority, which was disestablished and transferred functions to the Defense Health Agency effective 1 October 2013 per DODD 5136.13.

¹⁷⁵ National Defense, 32 CFR 199.16(e).

¹⁷⁶ National Defense, 32 CFR 199.17(g)(3)(i)(E). "TRICARE Prime Remote," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPR.aspx>.

¹⁷⁷ *Ibid.*

providers are not available in a remote location, routine primary health care services will not be subject to the higher POS cost sharing and deductible.¹⁷⁸

TPR is also available in designated remote overseas locations (TRICARE Prime Remote Overseas (TPRO)) to active-duty Service members and activated National Guard and Reserve members, and their command-sponsored family members.¹⁷⁹

Financial Summary

Similar to TRICARE Prime for active-duty Service members and their eligible family members, TPR has no enrollment fees or cost shares as long as care is managed through a PCM or with a referral.¹⁸⁰ Care received without preauthorization generally falls under fee-for-service costs. The higher point-of-service option cost sharing and deductible do not, however, apply to routine primary health care services when the beneficiary resides in a remote location and the beneficiary is not assigned a PCM. Additionally, the higher cost-sharing and deductible do not apply if it is determined beneficiaries cannot receive care from a TRICARE network provider within the TRICARE access standards.¹⁸¹ Any TPR for active-duty family members who fail to obtain appropriate referral/preauthorization, as required under TRICARE Prime when receiving specialty health care services, will be subject to the higher point-of-service option cost sharing and deductible.¹⁸²

4.1.9. TRICARE PRIME OVERSEAS

TRICARE Prime Overseas (TPO) is available overseas near MTFs. Similar to TRICARE Prime, TPO beneficiaries have an assigned PCM.¹⁸³ The PCM refers beneficiaries to specialists for care unavailable through the MTF, and when appropriate, coordinates with the overseas managed care support contractor for authorization.¹⁸⁴

Beneficiaries

The following beneficiaries are eligible for TPO:

- active-duty Service members
- command-sponsored, active-duty family members
- activated Reserve and National Guard members
- command-sponsored family members of activated Reserve and National Guard members

Retirees and their family members may not enroll in TPO.¹⁸⁵

¹⁷⁸ National Defense, 32 CFR 199.17(g)(6). Department of Defense, *TRICARE Choices at a Glance*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

¹⁷⁹ "TRICARE Prime Remote Overseas," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPRO.aspx>.

¹⁸⁰ "TRICARE Prime Remote," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPR.aspx>.

¹⁸¹ National Defense, 32 CFR 199.17(g)(6).

¹⁸² Ibid.

¹⁸³ "TRICARE Prime Remote Overseas," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPRO.aspx>. "TRICARE Prime Overseas," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/TPO.aspx.aspx>.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

Financial Summary

There are no enrollment fees or copayments associated with TPO, as long as care is received from a PCM or with referral.¹⁸⁶ POS fees apply if beneficiaries seek care without a referral.¹⁸⁷

4.1.10. US FAMILY HEALTH PLAN

In six areas of the United States, TRICARE Prime offers another option, The US Family Health Plan (USFHP), which offers care through networks of community-based, not-for-profit health care systems.¹⁸⁸ Members must live in a designated USFHP service area to enroll.¹⁸⁹ Enrollment is required.¹⁹⁰ Primary care providers, selected from the network of approved physicians within the not-for-profit health systems, provide all care, including prescription drug coverage.¹⁹¹ Beneficiaries must receive care through designated providers, and they may not receive care from MTFs or other TRICARE network providers when enrolled in USFHP.¹⁹²

Beneficiaries

The following beneficiaries are eligible to enroll when living in a designated USFHP area:¹⁹³

- active-duty family members
- retired Service members and their family members
- family members of activated Reserve and National Guard members
- nonactivated Reserve and National Guard members, and their family members, who qualify for care under TAMP (see Section 4.1.13.3)
- retired Reserve and National Guard members (age 60 and receiving retired pay) and their family members
- survivors
- Medal of Honor recipients and their family members
- qualified former spouses

Before October 1, 2012, USFHP was also available to all Medicare-eligible beneficiaries age 65 and older.¹⁹⁴ As of October 1, 2012, Medicare-eligible beneficiaries age 65 and older can no longer enroll in USFHP.¹⁹⁵ Beneficiaries younger than age 65 and using

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ "US Family Health Plan," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/USFHP.aspx>.

¹⁸⁹ Ibid.

¹⁹⁰ Ibid.

¹⁹¹ Ibid.

¹⁹² Ibid.

¹⁹³ "US Family Health Plan," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/HealthPlans/USFHP.aspx>.

¹⁹⁴ Congressional Budget Office, *Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan*, 2, accessed April 14, 2014, <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12170/usfhpletter.pdf>.

¹⁹⁵ Office of Budget Management, *Fiscal Year 2012 Budget of the U.S. Government*, 189, accessed April 14, 2014, <http://www.gpo.gov/fdsys/pkg/BUDGET-2012-BUD/pdf/BUDGET-2012-BUD.pdf>. Congressional Budget Office, *Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan*, 2, accessed April 14, 2014, <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12170/usfhpletter.pdf>.

Medicare due to a disability or other reason can remain enrolled in USFHP until their 65th birthday, at which time they can transition to TFL.¹⁹⁶

Historical Context

In 1981, the Congress redesignated former U.S. Public Health facilities as Uniformed Services Treatment Facilities (USTFs) to be used to provide medical care for uniformed services beneficiaries.¹⁹⁷ In 1993, DoD reorganized the USTFs into the Uniformed Services Family Health Plan, the first DoD sponsored full-risk managed health care plan and the first to serve military beneficiaries ages 65 and older.¹⁹⁸ USFHP echoed the benefit for TRICARE Prime active-duty family members.¹⁹⁹ As part of the implementation of TRICARE in the mid-1990s, USFHP became an authorized TRICARE Prime provider. After noting USFHP's success in health care delivery in the NDAA for FY 1996,²⁰⁰ the Congress made designated providers a permanent part of the military health care system in the subsequent authorization act.²⁰¹

Financial Summary

USFHP costs are the same as those for TRICARE Prime.²⁰²

4.1.11. DENTAL BENEFITS

TRICARE dental care plan options are considered separate from the TRICARE health care plans.²⁰³ Dental plans are available for active-duty Service members, Reserve/Guard members, their families, and retirees through three dental plan options: TRICARE Active Duty Dental Program, TRICARE Dental Program (TDP), and TRICARE Retiree Dental Program.²⁰⁴ These programs provide coverage for most preventive and diagnostic services.²⁰⁵

¹⁹⁶ National Defense Authorization Act for FY 2012, Pub. L. No. 112-81, § 708, 125 Stat. 1298, 1474 (2011). "US Family Health Plan and Medicare," Department of Defense, accessed June 20, 2014,

<http://www.tricare.mil/Plans/HealthPlans/USFHP/Medicare.aspx>. Congressional Budget Office, *Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan*, 2, accessed April 14, 2014, <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12170/usfhpletter.pdf>.

¹⁹⁷ Military Construction Authorization Act, 1982, Pub. L. No. 97-99, § 911, 95 Stat. 1359, 1386 (1981).

¹⁹⁸ Congressional Budget Office, *Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan*, 2, accessed April 14, 2014,

<https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12170/usfhpletter.pdf>.

¹⁹⁹ US Family Health Plan, *US Family Health Plan, Member Handbook*, 1, accessed April 14, 2014,

http://www.usfhp.net/pdfs/Member_Handbook.pdf.

²⁰⁰ National Defense Authorization Act for FY 1996, Pub. L. No. 104-106, § 724(b), 110 Stat. 186, 378 (1996).

²⁰¹ National Defense Authorization Act for FY 1997, Pub. L. No. 104-201, §§ 722-723, 110 Stat. 2422, 2428 (1996).

"History of the US Family Health Plan," US Family Health, accessed April 14, 2014,

http://www.usfhp.net/history_of_usfhp.asp.

²⁰² National Defense Authorization Act for FY 1997, Pub. L. No. 104-201, § 726, 110 Stat. 2422, 2596 (1996). "How

does the US Family Health Plan compare to TRICARE Prime?" US Family Health Care, accessed April 14, 2014,

<http://www.usfhp.net/ask.asp#1>. "TRICARE USFHP Enrollment Fees," US Family Health Plan, accessed June 20,

2014, <http://www.tricare.mil/Costs/HealthPlanCosts/USFHP/EnrollmentFees.aspx>. "TRICARE USFHP Copayments,"

US Family Health Plan, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/USFHP/NetworkCopayments.aspx>.

"TRICARE Prime Enrollment Fees," Department of Defense, accessed June 20, 2014,

<http://www.tricare.mil/Costs/HealthPlanCosts/PrimeOptions/EnrollmentFees.aspx>. "TRICARE Prime Network

Copayments," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Costs/HealthPlanCosts/PrimeOptions/Copayments.aspx>.

²⁰³ National Defense, 32 CFR 199.13. Department of Defense, *TRICARE Choices at a Glance*, 8, accessed June 20,

2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

²⁰⁴ Armed Forces, 10 U.S.C. § 1076a. "Dental Plans," Department of Defense, accessed June 20, 2014,

<http://www.tricare.mil/Plans/DentalPlans.aspx>.

²⁰⁵ Department of Defense, *TRICARE Choices at a Glance*, 8, accessed June 20, 2014,

http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

Beneficiaries

Active-duty Service members generally receive care at military dental clinics.²⁰⁶ Family members of active-duty Service members and nonactivated Reserve and National Guard and their family members may enroll in TDP.²⁰⁷ Retirees and their family members may enroll in the TRICARE Retiree Dental Program.²⁰⁸ Reserve and National Guard members may receive active-duty dental benefits when on active duty or if covered by TAMP.²⁰⁹

Historical Context

Prior to 1956, Service components provided dental care to all active-duty Service members.²¹⁰ The family members of Army and Air Force members received dental care by the Service when dentists were available to provide the care.²¹¹ The Dependents' Medical Care Act generally prohibited the provision of dental care to dependents, except for emergency care to relieve pain and suffering "but not to include any permanent restorative work or dental prosthesis, care as a necessary adjunct to medical or surgical treatment," and in OCONUS and remote CONUS locations where civilian dental facilities were not available.²¹² The Military Medical Benefits Amendments of 1966 authorized dependent use of MTFs for dental care upon request and subject to availability of space, facilities, and dental staff.²¹³ The 1966 amendments expanded the scope of dependent dental care by including "emergency dental care worldwide, routine dental care outside the United States and at stations in the United States where adequate civilian facilities [were] unavailable, and dental care worldwide as a necessary adjunct of medical, surgical, or preventive treatment."²¹⁴ The current TDP is a voluntary dental insurance program available to eligible active-duty family members, Select Reserve, and Individual Ready Reserve (IRR) members, and their eligible family members.²¹⁵ Limited adjunctive dental care is authorized under certain circumstances.²¹⁶

Financial Summary

Active-duty Service members do not pay a premium for their own dental benefits.²¹⁷ Premiums and cost shares apply to family members of active duty, Reserve/Guard Service members, retirees, and their family members.²¹⁸ Monthly premiums range from \$10.96 for one family member (excluding active-duty sponsor) to \$109.63 for IRR

²⁰⁶ Armed Forces, 10 U.S.C. § 1074(a). Department of Defense, *TRICARE Choices at a Glance*, 8, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

²⁰⁷ Ibid. Armed Forces, 10 U.S.C. § 1076a.

²⁰⁸ Armed Forces, 10 U.S.C. § 1076a. "Dental Plans," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/DentalPlans.aspx>.

²⁰⁹ National Defense, 32 CFR 199.13(c)(3)(ii)(E). "Dental Options," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/TAMP/DentalOptions.aspx>.

²¹⁰ Act of July 5, 1884, Pub. L. No. 23 Stat. 107, 112 (1884). P. I. Robinson, "Medicare: Uniformed Services Program for Dependents," *Social Security Bulletin*, July (1957): 9.

²¹¹ P. I. Robinson, "Medicare: Uniformed Services Program for Dependents," *Social Security Bulletin*, July (1957): 9, 16.

²¹² Dependents' Medical Care Act, Pub. L. No. 84-569, § 103(h)(4), 70 Stat. 250, 252 (1956).

²¹³ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 2(3), 80 Stat. 862 (1966).

²¹⁴ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 2(4), 80 Stat. 862, 863 (1966).

²¹⁵ Armed Forces, 10 U.S.C. § 1076s. National Defense, 32 CFR 199.13(c). TRICARE Dental Program, DoD FMR 7000.14-R, Chapter 54: 540101, accessed April 14, 2014, http://comptroller.defense.gov/Portals/45/documents/fmr/current/07a/Volume_07a.pdf. Department of Defense, TRICARE Policy Manual 6010.57-M, accessed April 10, 2014, <http://manuals.tricare.osd.mil>.

²¹⁶ National Defense, 32 CFR 199.4(e)(10)(i). Department of Defense, TRICARE Policy Manual 6010.57-M, Chapter 8 § 13.1, accessed April 10, 2014, <http://manuals.tricare.osd.mil>.

²¹⁷ Department of Defense, *TRICARE Choices at a Glance*, 8, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

²¹⁸ Ibid.

members and their families.²¹⁹ Cost shares range from 0 percent for preventative and diagnostic services (excluding sealants) to 50 percent for other procedures to \$1750 per person/per lifetime for the orthodontic services maximum.²²⁰ TDP has no annual deductible.²²¹ TRICARE Retiree Dental Program has an annual deductible of \$50 per person, per benefit year, and a \$150 cap per family.²²²

4.1.12. PHARMACY BENEFITS

The TRICARE pharmacy benefit costs are based on the type of prescription and where it is dispensed.²²³

Beneficiaries

Prescription drug coverage is available to the following groups:²²⁴

- active-duty Service members and families
- activated Reserve and National Guard members and families
- retired Service members and families
- retired Reserve and National Guard members (age 60+ and receiving retirement pay) and families
- survivors, widows/widowers, and certain former spouses
- Medal of Honor recipients and families
- beneficiaries using the following plans:
 - TRICARE Reserve Select
 - TRICARE Retired Reserve
 - TRICARE Young Adult
 - Continued Health Care Benefit Program
- other beneficiaries including foreign force members and families

Historical Context

As previously discussed, the Military Medical Benefits Amendments of 1966 created CHAMPUS.²²⁵ Retirees, their family members, and certain surviving family members of deceased military sponsors were brought into CHAMPUS on January 1, 1967.²²⁶ The 1966 act amended 10 U.S.C. § 1077 authorizing dispensing of drugs to dependents.²²⁷

In 1999, the Congress directed DoD to establish a uniform formulary process.²²⁸ As part of this process, DoD was also directed to establish a Pharmacy and Therapeutics (P&T) Committee “for the purpose of developing the uniform formulary ... reviewing such formulary on a periodic basis, and making additional recommendations

²¹⁹ Ibid.

²²⁰ Ibid.

²²¹ Ibid.

²²² Ibid.

²²³ National Defense, 32 CFR 199.21. Department of Defense, *TRICARE Choices at a Glance*, 10, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

²²⁴ National Defense, 32 CFR 199.21. “Eligibility,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/CoveredServices/Pharmacy/Eligibility.aspx>.

²²⁵ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, 80 Stat. 862, 863 (1966).

²²⁶ Ibid.

²²⁷ Military Medical Benefits Amendments of 1966, Pub. L. No. 89-614, § 2(4); 80 Stat. 862 (1966) (amending 10 U.S.C. § 1077).

²²⁸ National Defense Authorization Act for FY 2000, Pub. L. No. 106-65, § 701(a), 113 Stat. 512, 677 (1999), (codified at 10 U.S.C. § 1074g).

regarding the formulary.”²²⁹ The committee comprises “representatives of pharmacies of the uniformed services facilities, contractors responsible for the TRICARE retail pharmacy program, contractors responsible for the national mail-order pharmacy program, providers in facilities of the uniformed services, and TRICARE network providers,” who must also have “expertise in identifying the medical and pharmaceutical needs of the populations served throughout the MHS.”²³⁰ The P&T Committee systematically reviews and evaluates Food and Drug Administration (FDA)-approved drugs to determine their relative clinical and cost effectiveness.²³¹ DoD is not authorized to exclude a drug from its formulary based on cost effectiveness alone.²³²

The VA develops its formulary through a different process, therefore VA and DoD formularies are not the same.²³³ Section 4.2.1.1 discusses the differences in the formularies.

Since 2008, the TRICARE Retail Pharmacy Program has been treated as a DoD element for the purposes of federal drug pricing arrangements.²³⁴ This arrangement has allowed TRICARE to enjoy federally negotiated drug prices.²³⁵ DoD is required to make clinically appropriate pharmaceutical agents available to members of the uniformed services, including, when medically necessary, agents that are not included on the uniform formulary.²³⁶ As stated above, the VA formulary is developed through a different process and does not contain all FDA-approved drugs.²³⁷

In 2013, DoD increased copayments for brand name and nonformulary drugs that are not filled at MTF pharmacies, depending on the pharmacy option used.²³⁸ DoD also increased copayments for prescriptions for brand-name and nonformulary drugs filled through the mail-order pharmacy or through retail pharmacies.²³⁹

Under a pilot program for maintenance medication refills for TFL beneficiaries, beneficiaries must now receive refills of all such drugs through mail-order or MTF pharmacies for at least one year, after which time they may opt out of the pilot.²⁴⁰

Financial Summary

Costs range from \$0 for any type of prescription filled in an MTF to \$44 or 20 percent of the total cost (whichever is greater) or up to 50 percent of the total cost (if POS deductible is met) for a nonformulary prescription filled at a retail network

²²⁹ Ibid.

²³⁰ Ibid. U.S. Department of Defense Pharmacy and Therapeutics Committee, *Committee Charter (May 2009)*, <http://pec.ha.osd.mil/files/Charter%20DoD%20P&T%20Committee%20May%202009%20-%20signed.pdf>.

²³¹ Ibid.

²³² National Defense, 32 CFR 199.21(c)(3)(ii).

²³³ “VA National Formulary,” U.S. Department of Veterans Affairs Pharmacy Benefits Management Services, accessed April 14, 2014, <http://www.pbm.va.gov/nationalformulary.asp>. “Defense Health Agency Pharmacoeconomic Branch, Basic Core Formulary,” Department of Defense, accessed April 14, 2014, <http://pec.ha.osd.mil/bcf.php?submenuheader=1>.

²³⁴ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 703, 122 Stat. 3, 188 (codified at 10 U.S.C. § 1074g(f)).

²³⁵ Veterans’ Benefits, 38 U.S.C. § 8126.

²³⁶ Armed Forces, 10 U.S.C. § 1074g. National Defense, 32 CFR 199.4(g). National Defense, 32 CFR 199.21(h)(3)(iii).

²³⁷ “VA National Formulary,” Department of Veterans Affairs Pharmacy Benefits Management Services, accessed April 14, 2014, <http://www.pbm.va.gov/nationalformulary.asp>. “Basic Core Formulary,” Department of Defense, accessed April 14, 2014, <http://pec.ha.osd.mil/bcf.php?submenuheader=1>.

²³⁸ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, § 712, 126 Stat. 1632, 1802 (2013) (codified at 10 U.S.C. § 1074g(a)(6)).

²³⁹ Ibid.

²⁴⁰ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, § 716, 126 Stat. 1632, 1804 (2013).

pharmacy.²⁴¹ The TRICARE Pharmacy Plan options have varying cost shares for prescriptions filled at non-network pharmacies.²⁴²

The TRICARE retail pharmacy program serves as a function of DoD and, like any other Federal agency, receives pricing standards.²⁴³ DoD began receiving refunds from manufacturers when ordering most brand-name drugs starting in FY 2008.²⁴⁴

4.1.13. OTHER PROGRAMS AND BENEFITS

4.1.13.1. LINE OF DUTY CARE

Members of the Reserve and National Guard receive treatment through direct care channels for injury, illness, or disease incurred or aggravated in the line of duty.²⁴⁵ Coverage includes periods when traveling directly to or from the place of duty.²⁴⁶

4.1.13.2. CONTINUED HEALTH CARE BENEFIT

The Continued Health Care Benefit (CHCB)²⁴⁷ provides a premium-based temporary continuation of health care benefits for uniformed services beneficiaries who lose TRICARE eligibility because of separation from active duty (under nonadverse conditions).²⁴⁸ CHCB is not a TRICARE health program.²⁴⁹ The rules governing the program, however, are similar to those of TRICARE Standard.²⁵⁰ A major difference from TRICARE Standard, however, is that CHCB requires an enrollment fee and enrollees must pay premium costs before receiving any care.²⁵¹ Former uniformed services members and their families may receive CHCB benefits for as many as 18 months from the date the Service member becomes eligible for the program.²⁵² In certain qualifying conditions, benefits may be extended to 36 months.²⁵³ Beneficiaries may elect CHCB coverage within 60 days of losing TRICARE eligibility.²⁵⁴

Beneficiaries

The following beneficiaries may qualify to purchase CHCB:²⁵⁵

- former active-duty Service members and their family members when they meet the following criteria:

²⁴¹ Department of Defense, *TRICARE Choices at a Glance*, 10, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/BrochuresFlyers/Choices_Glance_BR.pdf.

²⁴² Ibid.

²⁴³ National Defense, 32 CFR 199.21(q).

²⁴⁴ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 703, 122 Stat. 3, 188 (codified at 10 U.S.C. § 1074g(f)).

²⁴⁵ National Defense, 32 CFR 564.38. “Line of Duty Care,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/Eligibility/NGRMandFamilies/LODCare.aspx>.

²⁴⁶ Ibid.

²⁴⁷ Armed Forces, 10 U.S.C. § 1145. National Defense, 32 CFR 199.20.

²⁴⁸ Ibid. “Continued Health Care Benefit Program,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/CHCBP.aspx>.

²⁴⁹ National Defense, 32 CFR 199.20(a).

²⁵⁰ Ibid.

²⁵¹ Ibid.

²⁵² National Defense, 32 CFR 199.20(d)(7).

²⁵³ National Defense, 32 CFR 199.20(d)(7)(i).

²⁵⁴ National Defense, 32 CFR 199.20(d)(7).

²⁵⁵ National Defense, 32 CFR 199.20. “Continued Health Care Benefit Program,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/CHCBP.aspx>.

- no adverse conditions are associated with the sponsor's active-duty release or discharge
- sponsor was eligible for medical care under a military health plan
- active-duty Service members or their family members are not eligible for any benefits under TRICARE or TAMP
- members of the selected Reserve of the Ready Reserve, Retired Reserve, and their family members
- former spouses who have not remarried when
 - they are covered under TRICARE or TAMP on the day before the date of final decree
 - they are not eligible for TRICARE as a former spouse or former member of the uniformed services
- dependent spouses and children when
 - they do not meet requirements as dependents of members or former members of the uniformed services
 - they were covered under TRICARE, TAMP, or TYA as dependents of a member or former member of the uniformed services on the day before ceasing to meet the requirements of being considered dependents
 - they do not otherwise meet eligibility requirements for benefits under TRICARE

Financial Summary

CHCB provides both individual and family coverage.²⁵⁶ CHCB coverage is purchased in 90-day increments.²⁵⁷ The sponsor, a former spouse who has not remarried, or an adult child can be covered under an individual policy for \$1,193 per quarter.²⁵⁸ Former service members and their dependents are eligible for family coverage, which is \$2,682 per quarter.²⁵⁹ A sponsor must enroll for a family to be covered.²⁶⁰ Each fiscal year, CHCB costs and premiums may be adjusted.²⁶¹ Annual deductibles and cost shares also apply, based on sponsor status and type of provider seen.²⁶²

4.1.13.3. TRANSITIONAL ASSISTANCE MANAGEMENT PROGRAM

Certain separating active-duty members and their eligible family members may receive transitional care through the Transitional Assistance Management Program (TAMP) for 180 days.²⁶³ The sponsor's Service branch and information in DEERS are used to determine TAMP eligibility.²⁶⁴

TAMP-eligible sponsors and family members are automatically enrolled in TRICARE Standard and Extra, USFHP (if they live in an area where this plan is offered), or

²⁵⁶ U.S. Department of Defense Military Health System, *Continued Health Care Benefit Program Fact Sheet*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/CHCBP_FS.pdf.

²⁵⁷ National Defense, 32 CFR 199.20(q)(1). Department of Defense Military Health System, *Continued Health Care Benefit Program Fact Sheet*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/CHCBP_FS.pdf.

²⁵⁸ Department of Defense, *Continued Health Care Benefit Program Fact Sheet*, 3, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/CHCBP_FS.pdf.

²⁵⁹ Ibid.

²⁶⁰ Ibid.

²⁶¹ Ibid.

²⁶² Ibid.

²⁶³ National Defense, 32 CFR 199.3(e)(3).

²⁶⁴ Ibid.

TRICARE Overseas program (if residing overseas).²⁶⁵ Where available, beneficiaries also may enroll in a TRICARE Prime option.²⁶⁶

Beneficiaries

Sponsors and their families may be covered by TAMP if the sponsor meets one of the following criteria:²⁶⁷

- involuntarily separates from active duty under honorable conditions
- is a Reserve or National Guard member separating from a period of active duty that was more than 30 consecutive days in support of a contingency operation
- separates from active duty following involuntary retention (*stop-loss*) in support of a contingency operation
- separates from active duty following a voluntary agreement to stay on active duty for less than one year in support of a contingency operation
- separates from active duty with an agreement to become a member of the Selected Reserve of the Ready Reserve
- separates from active duty due to a sole survivorship discharge

Financial Summary

Under TAMP, sponsor and family coverage is based on active-duty rates, and all pertinent rules, deductibles, cost shares, and copayments apply to the applicable program.²⁶⁸

4.1.13.4. EXTENDED CARE HEALTH OPTION

The Extended Care Health Option (ECHO)²⁶⁹ provides supplemental benefits through TRICARE.²⁷⁰ ECHO's benefits go beyond acute care or benefits available through the TRICARE program.²⁷¹ ECHO provides an additional financial resource intended to provide integrated services and supplies to help reduce the disabling effects of qualifying conditions of ECHO-eligible dependents.²⁷² ECHO offers coverage for services needed to maintain, minimize or prevent deterioration of function for eligible dependents.²⁷³ The ECHO benefit comprises a range of services and equipment including assistive and rehabilitative services, respite care, transportation, and durable medical equipment.²⁷⁴

Beneficiaries

To receive ECHO benefits for their family members, active-duty sponsors must enroll in their Service's Exceptional Family Member Program (EFMP).²⁷⁵ EFMP eligibility

²⁶⁵ Ibid.

²⁶⁶ Ibid.

²⁶⁷ National Defense, 32 CFR 199.3(e).

²⁶⁸ National Defense, 32 CFR 199.4(f)(2)(vi).

²⁶⁹ "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

²⁷⁰ National Defense, 32 CFR 199.5(a)(1).

²⁷¹ Ibid. U.S. Department of Defense Military Health System, *Extended Care Health Option Fact Sheet*, accessed June 20, 2014, http://www.tricare.mil/~media/Files/TRICARE/Publications/FactSheets/ECHO_FS.pdf.

²⁷² National Defense, 32 CFR 199.5(a)(2).

²⁷³ Ibid.

²⁷⁴ National Defense, 32 CFR 199.5(c).

²⁷⁵ National Defense, 32 CFR 199.5(h)(2). "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

criteria vary across Services.²⁷⁶ (See Section 5.1.10.8 for additional details.) TRICARE beneficiaries (with a qualifying condition) who are eligible for ECHO coverage include members of TRICARE-eligible, active-duty families; family members of Reserve/Guard activated for more than 30 consecutive days; family members covered under TAMP; children or spouses of former Service members who are victims of abuse and qualify for the Transitional Compensation Program; and family members of deceased, active-duty sponsors while they are considered transitional survivors.²⁷⁷

Qualifying conditions include the following:²⁷⁸

- moderate to severe mental retardation
- serious physical disability
- extraordinary physical or psychological condition
- neuromuscular developmental condition or other condition in a child younger than three years of age that is expected to precede a diagnosis of moderate or severe mental retardation or serious physical disability
- the cumulative effect of multiple disabilities

For TRICARE beneficiaries diagnosed with Autism Spectrum Disorder (ASD), there is an Autism Services Demonstration Project for care in this arena. Beneficiaries receive care under the ECHO Program. This program received an extension for one-year and is in effect until December 2014. The extension allows for evaluation of the effectiveness of the delivery model, and recognizes that it is in the best interest of TRICARE beneficiaries diagnosed with an ASD.²⁷⁹

Financial Summary

ECHO benefits are not subject to a deductible.²⁸⁰ Beneficiaries pay a monthly cost share, which is determined by the sponsor's pay grade.²⁸¹ Cost share amounts range from \$25 per month for pay grades E-1 through E-5 up to \$250 per month for pay grade O-10.²⁸²

4.1.13.5. TRICARE COMBAT-RELATED SPECIAL COMPENSATION TRAVEL BENEFIT

Eligible retired Service members whose Combat-Related Special Compensation (CRSC) Board has awarded them CRSC, who are not TRICARE Prime enrollees, may receive the CRSC Travel Benefit.²⁸³ They may receive reimbursement for travel-related

²⁷⁶ Exceptional Family Member Program, OPNAVINST 1754.2D (2010). Exceptional Family Member Program, AR 608-75 (2011). Medical Support to Family Member Relocation and Exceptional Family Member Program, AFI 40-701 (2012). Exceptional Family Member Program (EFMP), MCO 1754.4B (2010). Special Needs Program, COMDTINST 1754.7B (2013).

²⁷⁷ National Defense, 32 CFR 199.5(b)(1). "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

²⁷⁸ National Defense, 32 CFR 199.5(b)(2). "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

²⁷⁹ Armed Forces, 10 U.S.C. § 1092. The Federal Register, *Extension of Autism Services Demonstration Project for TRICARE Beneficiaries Under the Extended Care Health Option*, accessed June 2, 2014, <https://www.federalregister.gov/articles/2013/12/26/2013-30670/extension-of-autism-services-demonstration-project-for-tricare-beneficiaries-under-the-extended-care>.

²⁸⁰ National Defense, 32 CFR 199.5(f)(1). "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

²⁸¹ National Defense, 32 CFR 199.5(f)(2). "Extended Care Health Option," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/ECHO.aspx>.

²⁸² Ibid.

²⁸³ Special Circumstances Travel and Transportation, JFTR, Volume 1, U7175 (2014).

expenses when they must travel more than 100 miles from the referring provider's location to get medically necessary, nonemergency specialty care, services, and supplies for a combat-related disability.²⁸⁴ Members enrolled in TRICARE Prime, including those enrolled in USFHP, can take advantage of the TRICARE Prime Travel Benefit.²⁸⁵

4.1.13.6. PRE-ACTIVATION BENEFIT

The Pre-Activation Benefit is for National Guard and Reserve members who are issued delayed-effective-date active-duty orders for more than 30 consecutive days in support of a contingency operation.²⁸⁶ These members may qualify for early eligibility for TRICARE.²⁸⁷ During this "pre-activation" period, members and their families qualify for the same level of coverage as they do when the sponsor is activated.²⁸⁸

4.1.13.7. WOMEN, INFANTS, AND CHILDREN OVERSEAS PROGRAM

The Women, Infants, and Children (WIC) Overseas Program provides members assigned to overseas duty stations with supplemental foods and nutrition education.²⁸⁹ WIC Overseas is not a program to deliver medical care, rather it is designed to improve participants' health, wellness, and overall quality of life.²⁹⁰ Eligible participants include Service members and eligible civilians who are serving with, employed by, or accompanying the Military Services overseas.²⁹¹ WIC Overseas counselors evaluate income, family size, and certain other criteria to determine eligibility for the program.²⁹²

4.1.13.8. FEDERAL LONG-TERM CARE INSURANCE

This program provides a long-term care insurance option for Federal and U.S. Postal employees and annuitants, active and retired members of the uniformed services, and their qualified family members.²⁹³ The program does not provide coverage for members of the Individual Ready Reserve.²⁹⁴ Premiums are based on the enrollee's age at the time the application is submitted.²⁹⁵

²⁸⁴ Ibid. "Combat-Related Special Compensation Travel Benefit," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/CRSCTravelBenefit.aspx>.

²⁸⁵ "Combat-Related Special Compensation Travel Benefit," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/CRSCTravelBenefit.aspx>.

²⁸⁶ Armed Forces, 10 U.S.C. § 1074(d).

²⁸⁷ "Pre-Activation Benefit for National Guard and Reserve," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/Eligibility/NGRMandFamilies/Activated/PreActBenefits.aspx>.

²⁸⁸ Ibid.

²⁸⁹ Armed Forces, 10 U.S.C. § 1060a. "Women, Infants, and Children Overseas Program," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/WICOverseas.aspx>.

²⁹⁰ Department of Defense, *Policy Memo for WIC Overseas Program (Feb. 4, 2009)*, accessed April 14, 2014, <http://www.health.mil/~media/MHS/Policy%20Files/Import/09-004.ashx>.

²⁹¹ Armed Forces, 10 U.S.C. § 1060a.

²⁹² "Women, Infants, and Children Overseas Program," Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/SpecialPrograms/WICOverseas.aspx>.

²⁹³ 5 CFR 875.201-205. "What is the Federal Long Term Care Insurance Program?" Department of Defense, accessed April 14, 2014, <http://www.ltcfed.com>.

²⁹⁴ Administrative Personnel, 5 CFR 875.204(c).

²⁹⁵ Administrative Personnel, 5 CFR 875.406. "Program Costs and Payment Options, Department of Defense, accessed April 14, 2014, <http://www.ltcfed.com/programdetails/cost.html>.

4.1.13.9. OTHER PROGRAMS OFFERED AT MTFs

- **TRICARE Plus**

TRICARE Plus allows beneficiaries who normally can get care at MTFs only on a space-available basis to enroll at the MTF for primary care only.²⁹⁶ TRICARE Plus is only available at some MTFs, by local Commander discretion.²⁹⁷ TRICARE Plus is not a “health plan option” nor does it guarantee access to specialty care at an MTF; rather, it is a way to access primary care at an MTF.²⁹⁸ Eligible beneficiaries are dependent parents or parents-in-law and TRICARE Standard, Extra, TRICARE Standard Overseas, and TFL users.²⁹⁹ There are no costs if seen within an MTF; however, normal cost shares apply if the MTF refers the beneficiary outside the MTF for further care.³⁰⁰

- **Secretarial Designee**

Individuals without a specific statutory entitlement or eligibility may receive DoD health care eligibility through the Secretarial Designee Program.³⁰¹ This program can apply, under certain circumstances, to foreign military personnel and their dependents, foreign diplomatic or other senior officials, other foreign nationals, invited persons accompanying the overseas Force, U.S. nationals overseas, U.S. government civilian employees and contractors, research subject volunteers, recipients of continuity of care extensions of eligibility, and other various personnel.³⁰² Care provided under this authority, unless otherwise designated, is reimbursable unless nonreimbursable care is authorized or waived by the Under Secretary of Defense for Personnel and Readiness or the Secretaries of the Military Departments in circumstances where they are the approving authority.³⁰³

4.2. DEPARTMENT OF VETERANS AFFAIRS PROGRAMS

The U.S. Department of Veterans Affairs (VA) is a government-run veteran benefit system headed by the U.S. Secretary of Veterans Affairs.³⁰⁴ It provides Federal benefits and services to veterans and their families.³⁰⁵ The VA is the U.S. Government’s second-largest department, after the DoD, and operates nationwide programs for health care, financial assistance, and burial benefits.³⁰⁶

²⁹⁶ TRICARE Operations Manual, 6010.56-M, Chapter 6, Section 4 (2008), TRICARE Operations Manual, 6010.56-M Appendix B (2008).

²⁹⁷ Ibid.

²⁹⁸ Ibid.

²⁹⁹ Ibid.

³⁰⁰ Ibid.

³⁰¹ Armed Forces, 10 U.S.C. § 1074(c). Health Care Eligibility Under the Secretarial Designee (SECDES) Program and Related Special Authorities, DODI 6025.23 (2013).

³⁰² Health Care Eligibility Under the Secretarial Designee (SECDES) Program and Related Special Authorities, DODI 6025.23 (2013).

³⁰³ Ibid. Armed Forces, 10 U.S.C. § 2559.

³⁰⁴ Veterans’ Benefits, 38 U.S.C. §§ 301, 303.

³⁰⁵ Veterans’ Benefits, 38 U.S.C. § 301. Department of Veterans Affairs, *Facts About the Department of Veterans Affairs*, accessed April 14, 2014, http://www.va.gov/opa/publications/factsheets/fs_department_of_veterans_affairs.pdf.

³⁰⁶ Ibid.

The Department comprises three main service lines: the Veterans Health Administration (VHA), the Veterans Benefit Administration (VBA), and the National Cemetery Administration.³⁰⁷ The VA provides myriad benefits including disability, education and training, vocational rehabilitation and employment, home loan guaranty, dependent and survivor benefits, medical treatment, life insurance, and burial benefits.³⁰⁸

Historical Context

Assistance to disabled veterans dates back to 1636, when a law was passed stating disabled soldiers would be supported by the colony.³⁰⁹ Continuing this tradition, State veterans homes were established after the Civil War. Because veterans could receive domiciliary care at all State veterans' homes, they received incidental medical and hospital treatment for all injuries and diseases, regardless of whether they originated from service activities.³¹⁰ These homes provided care for indigent and disabled veterans of the Civil War, the Indian Wars, the Spanish-American War, and the Mexican Border period, as well as discharged regular members of the Armed Forces.³¹¹

In 1917, shortly after the United States entered World War I, the Congress established a new system of veterans' benefits.³¹² Three different Federal agencies administered the programs by the 1920s: the Veterans Bureau, the Bureau of Pensions of the Interior Department, and the National Home for Disabled Volunteer Soldiers.³¹³ A decade later, in July 1930, The Veterans Administration was created to consolidate agencies administering veterans' benefits.³¹⁴ At that time, there were 54 hospitals, 4.7 million living veterans, and 31,600 employees.³¹⁵ In 1946, the Department of Medicine & Surgery was established, followed by the Department of Veterans Benefits in 1953.³¹⁶ During the next several decades, the VA health care delivery system restructured and expanded benefits. In 1973, the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) became the health benefits program for dependents of permanently and totally disabled veterans; survivors of veterans who died from service-connected conditions; and survivors of veterans, who, at the time of death, were rated permanently and totally disabled from a service-connected condition and not otherwise eligible for TRICARE.³¹⁷ When the passage of the Veterans Health Care Amendments Act of 1979 was passed, the VA created Vet Centers across the

³⁰⁷ Department of Veterans Affairs, *Organization Chart*, accessed April 14, 2014, <http://www.va.gov/ofcadmin/docs/vaorgchart.pdf>.

³⁰⁸ See generally Veterans' Benefits, 38 U.S.C. §§ 1101-7907.

³⁰⁹ David Pulsifer, ed., *Records of the Colony of New Plymouth in New England* (Boston: William White, 1861), 13.

³¹⁰ "VA History," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/about_va/vahistory.asp.

³¹¹ "New to VA," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/opa/newtova.asp>.

³¹² Ibid.

³¹³ War Risk Insurance Act Amendments: Pub. L. No. 65-20, 40 Stat. 102 (1917) and Pub. L. No. 65-90, 40 Stat. 398 (1917). Department of Veterans Affairs, *VA Disability Compensation Program: Legislative History*, 33-35, accessed April 14, 2014, http://www.va.gov/op3/docs/ProgramEvaluations/DisCompProgram/Disability_Comp_Legislative_Histor_Lit_Review.pdf. "VA History," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/about_va/vahistory.asp.

³¹⁴ "VA History," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/about_va/vahistory.asp.

³¹⁵ World War Veterans' Act of 1930, Pub. L. No. 71-536, 46 Stat. 1016 (1930). Consolidation and Coordination of Government Activities Affecting Veterans, Exec. Order No. 5398 (1930). Department of Veterans Affairs, *VA History In Brief*, 12, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³¹⁶ Department of Veterans Affairs, *Fact Sheet (January 2009)*, accessed April 14, 2014, http://www.va.gov/opa/publications/factsheets/fs_department_of_veterans_affairs.pdf.

³¹⁷ Ibid.

³¹⁸ Department of Veterans Affairs, Health Administration Center, CHAMPVA Policy Manual, Chapter 1, Section 1.1, at <http://www.va.gov/hac/forbeneficiaries/champva/policymanual/index.asp>.

country, which were separate from other VA facilities.³¹⁸ By 2005, more than 200 Vet Centers provided various counseling services and treated post-traumatic stress disorder.³¹⁹ In 1988, the VA was elevated to Cabinet status and in 1989 it became the Department of Veterans Affairs.³²⁰ Under its reorganized structure, the department included the Veterans Health Administration (formerly the Veterans Health Services and Research Administration), the Veterans Benefits Administration, and the National Cemetery System.³²¹

The Omnibus Budget Reconciliation Act of 1990 placed limitations on eligibility for disability pensions.³²² Under this law, to be determined totally disabled, veterans of any age must be considered unemployable as a result of a disability that is expected to continue throughout the disabled prospective pensioner's life.³²³ The Agent Orange Act of 1991, enacted to assist Vietnam era veterans, provided for presumptive service connection for disabilities resulting from exposure to herbicides used in Vietnam.³²⁴ The Veterans Health Care Act of 1992 provided authority for a variety of gender-specific services and programs to care for female veterans.³²⁵ In 1994, the Congress authorized compensation for veterans who have chronic disabilities as a result of undiagnosed illnesses that appeared during active duty in the Persian Gulf or within a presumptive period after Gulf service.³²⁶

In 1995, the VA reorganized its hospitals into 22 Veterans Integrated Service Networks (VISNs).³²⁷ "Critical elements of this transformation included population-based planning, decentralization, universal availability of primary care, a shift to outpatient care from inpatient care, and an emphasis on measuring health care performance on the outcome of patient treatment."³²⁸ As a result of the Veterans' Health Care Eligibility Reform Act of 1996, the VA enrolled most veterans in the VA health care system and standardized criteria for inpatient and outpatient care.³²⁹ In 1997, the VA instituted a program to provide health care benefits, vocational training, and a monthly allowance based on severity of illness for Vietnam veterans' children with spina bifida.³³⁰ This program was amended in 2003 to include Korea veterans'

³¹⁸ Department of Veterans Affairs, *VA History In Brief*, 23, accessed at April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³¹⁹ *Ibid.*

³²⁰ Department of Veterans Affairs Act, Pub. L. No. 100-527, 102 Stat. 2635 (1988) (codified at Title 38, U.S. Code). Department of Veterans Affairs, *VA History In Brief*, 26, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³²¹ *Ibid.*, 26.

³²² Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, title VIII, 104 Stat. 1388, 1388-341 (1990). Department of Veterans Affairs, *VA History In Brief*, 25, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³²³ Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, § 8002, 104 Stat. 1388, 1388-342 (1990). Department of Veterans Affairs, *VA History In Brief*, 25, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³²⁴ Agent Orange Act of 1991, Pub. L. No. 102-4, § 2, 105 Stat. 11 (1991). Department of Veterans Affairs, *VA History In Brief*, 20, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³²⁵ Department of Veterans Affairs, *VA History In Brief*, 28, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf. Veterans Health Care Act of 1992, Pub. L. No. 102-585, 106 Stat. 4943 (1992).

³²⁶ Department of Veterans Affairs, *VA History In Brief*, 27, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf. Veterans' Benefits Improvements Act of 1994, Pub. L. No. 103-446, § 106, 108 Stat. 4645, 4650 (1994).

³²⁷ Department of Veterans Affairs, *VA History In Brief*, 29, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

³²⁸ *Ibid.*, 20.

³²⁹ *Ibid.*, 30. Veterans' Health Care Eligibility Reform Act of 1996, Pub. L. No. 104-262, 110 Stat. 3177 (1996).

³³⁰ Department of Veterans Affairs, *VA History In Brief*, 20, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf. Departments of Veterans Affairs and

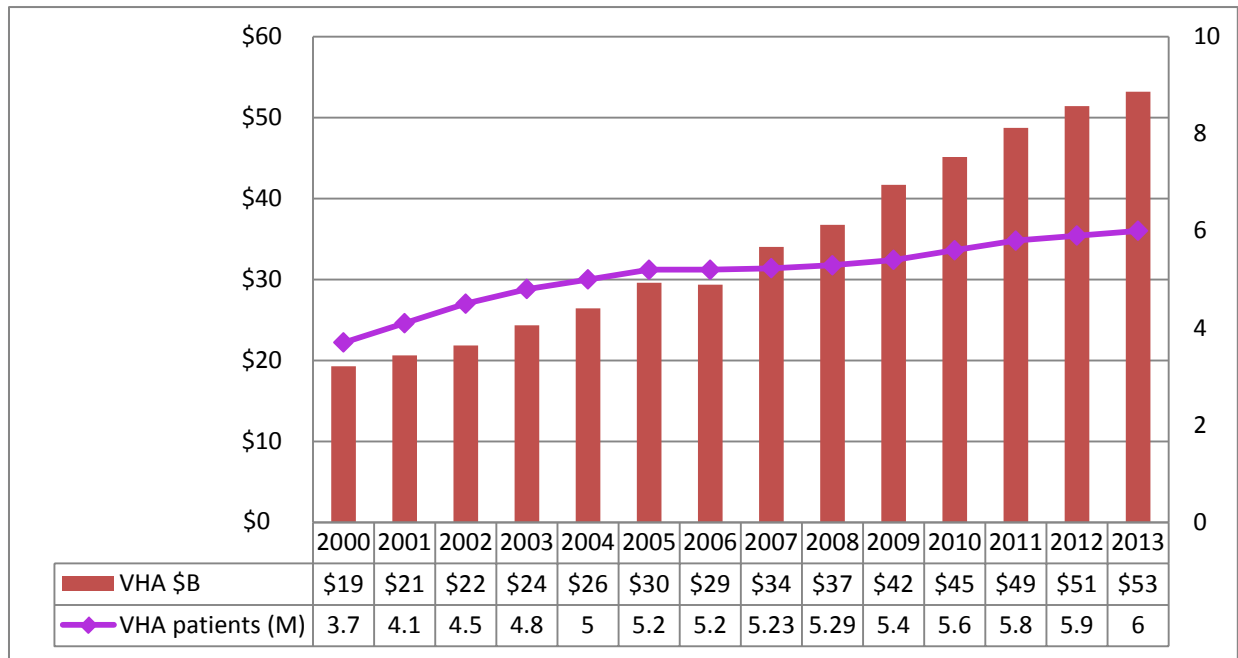
children diagnosed with spina bifida.³³¹ The Veterans' Mental Health and Other Care Improvements Act of 2008 expanded covered benefits beyond the spina bifida condition.³³²

Department of Veterans Affairs Costs to Provide Health Benefits

The VA's budget exceeded \$130 billion in FY 2013. The two largest elements of this budget were for the health care system and the disability compensation system. As identified in Section 6, the VA health care system budget was approximately \$53 billion in FY 2013.³³³ Disability and related payments were approximately \$56 billion in FY 2013 and, when combined with all other non-health care funding for VA, accounted for approximately 15.5 percent of compensation funding.³³⁴

VA patients treated from 2000 to 2013 increased 59 percent; however, the associated costs to care for these patients almost tripled at a 153 percent increase (see Figure 18).

Figure 18. VA Health Care Funding and Patients³³⁵



Housing and Urban Development, and Independent Agencies Appropriations Act, 1997, Pub. L. No. 104-204, § 421, 110 Stat. 2874, 2923 (1996).

³³¹ Department of Veterans Affairs, *Spina Bifida Policy Manual*, Chapter 1, Section 1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/policymanual/index.asp>. Veterans Benefits Act of 2003, Pub. L. No. 108-183, § 102, 117 Stat. 2651, 2653 (2003).

³³² Department of Veterans Affairs, *Spina Bifida Policy Manual*, Chapter 1, Section 1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/policymanual/index.asp>. Veterans' Mental Health and Other Care Improvements Act of 2008, Pub. L. No. 110-387, § 408, 122 Stat. 4110, 4130 (2008).

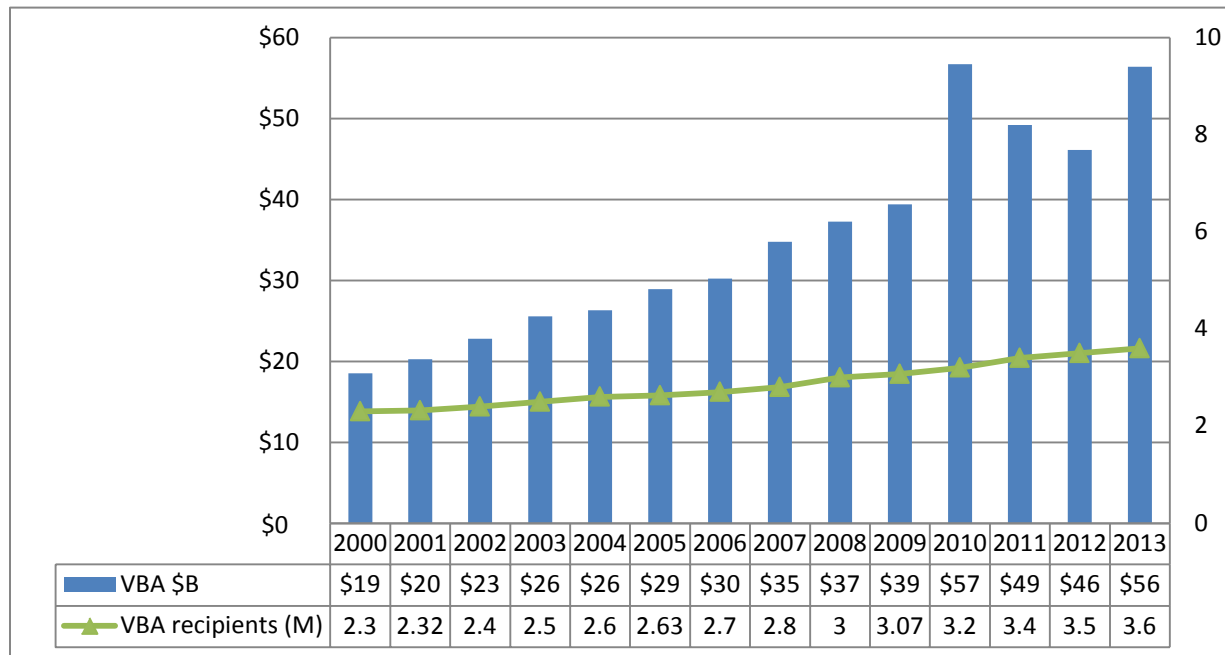
³³³ Appropriated Budget Data, presented in Section 6.2 of this report.

³³⁴ Ibid.

³³⁵ VA annual benefits reports 2000–2013 and Appropriated Budget Data, presented in Section 6.2 of this report.

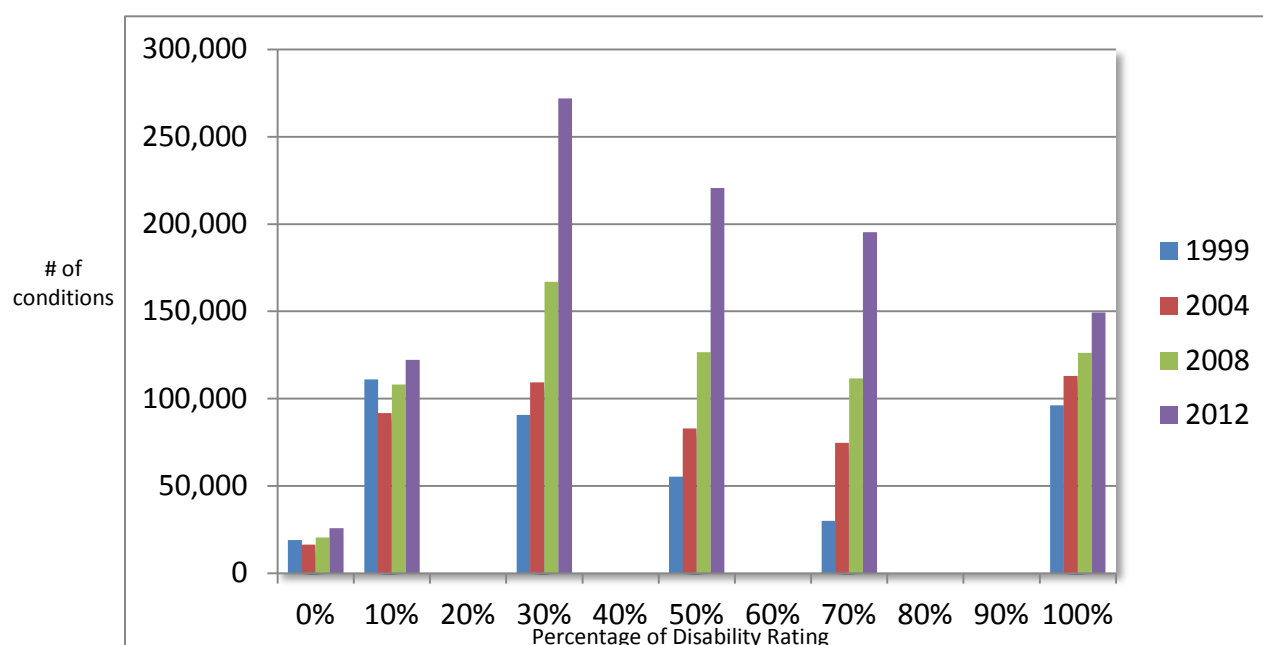
As shown in Figure 19, the cost for disability compensation increased 193 percent between 2000 and 2013, and the number of beneficiaries receiving a disability compensation benefit increased 52.2 percent during this time period.

Figure 19. Veterans Disability Compensation³³⁶



As an example, Figure 20 depicts the growth in the degree of disability percentage categories applies to Service members in a specific body system, in this case, mental disorders. Increased disability percentage results in higher disability compensation payments. See further detail in Section 4.2.2.1.

³³⁶ Ibid.

Figure 20. Mental Disorders by Disability Percent³³⁷

Except for the 0 percent and 10 percent rating categories from 1999–2004, the number of conditions per rating under the mental disorders disability category has increased. The greatest percentage increase was from in the 70 percent rating category from 1999–2004, at a 148 percent increase. The next highest was in the same 70 percent rating category, from 2008–2012, at a 75 percent increase, followed closely in the 50 percent rating category also from 2008–2012 at a 74 percent increase.

4.2.1. HEALTH BENEFITS

The Veterans Health Administration (VHA) provides all health services for the VA.³³⁸ With more than 150 medical centers, nearly 1,400 community-based outpatient clinics, community-living centers, Vet Centers, and domiciliary facilities, the VHA is the largest integrated health care system in the United States.³³⁹

4.2.1.1. VETERANS

The VHA provides health services to eligible veterans through an annual patient enrollment system.³⁴⁰ Standard benefits include the following:³⁴¹

³³⁷ VBA annual benefits reports for 1999–2012; table titled “Total Service-Connected Disabilities for Veterans Receiving Compensation at the end of the Fiscal Year ## by percent and Body System” (Mental Disorders–sub table).

³³⁸ “VA Structure,” Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/opa/newtova.asp>.

³³⁹ “About VHA,” Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/health/aboutVHA.asp>.

³⁴⁰ Department of Veterans’ Affairs, *Health Care Benefits Overview Brochure*, 2012, 1, accessed April 14, 2014, <http://www.va.gov/healthbenefits/resources/epublications.asp>. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36–17.38.

³⁴¹ *Ibid*, 25. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.38.

Preventive Care Services³⁴²

- immunizations
- physical examinations (including eye and hearing examinations)
- health care assessments
- screening tests
- health education programs

Ambulatory (outpatient) and Hospital (inpatient) Diagnostic and Treatment Services³⁴³

- medical
- surgical (including reconstructive/plastic surgery as a result of disease or trauma)
- mental health
- substance abuse

Prescription Drugs³⁴⁴

Long-Term Care³⁴⁵

- geriatric evaluation
- adult day health care
- respite care
- hospice/palliative care

Limited Benefits (which may have special eligibility criteria) including:

- ambulance services³⁴⁶
- dental care³⁴⁷
- eyeglasses³⁴⁸
- hearing aids³⁴⁹
- home health care³⁵⁰
- maternity and childbirth services³⁵¹
- non-VA health care service³⁵²

Prescription Drugs

In general, medications provided through the VA pharmacy benefit must be prescribed by a VA provider, filled through a VA pharmacy, and listed on the Veterans Affairs National Formulary (VANF).³⁵³ The VANF is a list of drugs, grouped by class, that VA

³⁴² Veterans' Benefits, 38 U.S.C. § 1701(9). Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38(a)(2).

³⁴³ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38(a)(1).

³⁴⁴ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38(a)(1)(iii). Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.96.

³⁴⁵ Veterans' Benefits, 38 U.S.C. § 1710A. 38 U.S.C. § 1710B. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38(a).

³⁴⁶ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.52(a)(8). Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.101(k).

³⁴⁷ Veterans' Benefits, 38 U.S.C. § 1712.

³⁴⁸ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38 (a)(1)(viii), 17.149.

³⁴⁹ Ibid.

³⁵⁰ Veterans' Benefits, 38 U.S.C. § 1717.

³⁵¹ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.38 (a)(1)(xiv). Maternity and childbirth services are usually provided in non-VA contracted hospitals at VA expense. Care is limited to the mother and newborn. VA may furnish health care services to a newborn child of a woman veteran who is receiving maternity care furnished by VA beginning with the date of birth plus the first seven calendar days after birth.

³⁵² Veterans' Benefits, 38 U.S.C. § 1703. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.52.

³⁵³ See VA Health Benefits, Prescriptions, <http://www.va.gov/healthbenefits/access/prescriptions.asp>. See also Government Accountability Office, *VA Drug Formulary*, GAO-10-776 (2010), 1,

providers are expected to use when prescribing drugs for veterans.³⁵⁴ Providers can request access to medications not listed on the national formulary when it is clinically necessary to do so,³⁵⁵ and all VA medical centers are required to have a non-formulary drug request process.³⁵⁶

VA Dental Insurance Program

The VA Dental Insurance Program (VADIP) began as a three-year, national pilot program mandated to assess the feasibility and advisability of providing a dental insurance plan to enrolled veterans and eligible beneficiaries of the VA's Civilian Health and Medical Program.³⁵⁷ The VADIP offers enrolled veterans and beneficiaries the opportunity to purchase dental insurance at a reduced cost on an annual basis.³⁵⁸ Coverage under VADIP began on January 1, 2014.³⁵⁹ Participation is voluntary and purchasing a dental plan does not affect a veteran's eligibility for VA dental services and treatment.³⁶⁰ Covered services include diagnostic, preventive, surgical, emergency, and endodontic/restorative treatment services.³⁶¹ Each participant pays the fixed monthly premiums for coverage and any copayments required, depending on the type of plan selected.³⁶²

Beneficiaries

Veterans eligible to receive VA health care benefits include honorably discharged or released individuals who served in the Active Component of the uniformed services.³⁶³ Reservists and National Guard members called to active duty (other than for training only) by a Federal order who completed the full period for which they were called or ordered to active duty, may also qualify.³⁶⁴ Veterans who enlisted after September 7, 1980, or who entered active duty after October 16, 1981, must have served 24 continuous months or the full period for which they were called to active duty to receive benefits.³⁶⁵ Veterans discharged for hardship, early out, or a disability incurred or aggravated in the line of duty may be exempt from the minimum-service

<http://www.gao.gov/new.items/d10776.pdf>. (In certain limited circumstances, however, the VA does fill prescriptions for drugs prescribed by non-VA providers. See 38 CFR 17.96 for details.)

³⁵⁴ U.S. Department of Veterans Affairs, Veterans Health Administration, *VHA Handbook 1108.08: Formulary Management Process* (February 26, 2009), 3, accessed June 20, 2014,

<http://www.pbm.va.gov/directive/vhadirective.pdf>.

³⁵⁵ *Ibid.*, 11.

³⁵⁶ *Ibid.*, 8.

³⁵⁷ Caregivers and Veterans Omnibus Health Services Act of 2010, Pub. L. No. 111-163, § 510, 124 Stat. 1130, 1162 (2010).

³⁵⁸ *Ibid.* Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.169.

³⁵⁹ "VA Dental Insurance Program," Department of Veterans Affairs, accessed June 20, 2014, <http://www.va.gov/healthbenefits/vadip/>. Department of Veterans Affairs, *VA Dental Insurance Program (VADIP) Fact Sheet*, accessed June 20, 2014, http://www.va.gov/healthbenefits/vadip/VADIP_fact_sheet_v15.pdf.

³⁶⁰ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.169(a). "VA Dental Insurance Program," Department of Veterans Affairs, accessed June 20, 2014, <http://www.va.gov/healthbenefits/vadip/>.

³⁶¹ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.169(c)(2).

³⁶² Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.169(c). "VA Dental Insurance Program," Department of Veterans Affairs, accessed June 20, 2014, <http://www.va.gov/healthbenefits/vadip/>.

³⁶³ Veterans' Benefits, 38 U.S.C. § 1710. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.

³⁶⁴ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition*, VA Pamphlet 80-13-01, P94663, 1, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp, "Veterans Eligibility," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/healthbenefits/apply/veterans.asp>.

³⁶⁵ Pensions, Bonuses, and Veterans' Relief, 38 CFR 3.12(c)(1)(2).

requirement.³⁶⁶ Certain veterans may receive enhanced eligibility status when applying and enrolling in the VA health care system.³⁶⁷

Enrollment

During enrollment, the VA assigns veterans to priority groups to balance demand for VA health care enrollment with resources.³⁶⁸ Changes in available resources may affect the number of priority groups VA can enroll.³⁶⁹ The priority groups range from 1-8 with 1 being the highest priority for enrollment.³⁷⁰ VA will publicize any changes to enrollment priority groups through a Federal Register notification of eligible enrollees.³⁷¹ Qualifications for each group are described below:³⁷²

- **Group 1:** Veterans with service-connected disabilities rated 50 percent or more and veterans determined by VA to be unemployable due to service-connected conditions³⁷³
- **Group 2:** Veterans with service-connected disabilities rated 30 or 40 percent³⁷⁴
- **Group 3:**³⁷⁵
 - Veterans who are former POWs
 - Veterans awarded the Purple Heart Medal
 - Veterans awarded the Medal of Honor
 - Veterans discharged for a disability incurred or aggravated in the line of duty
 - Veterans with service-connected disabilities rated 10 or 20 percent
 - Veterans awarded special eligibility classification under 38 U.S.C. § 1151, “benefits for individuals disabled by treatment or vocational rehabilitation”
 - Veterans whose entitlement to disability compensation is suspended pursuant to 38 U.S.C. § 1511, but only to the extent that such veterans’ continuing eligibility for that care is provided for in the judgment or settlement described in 38 U.S.C. § 1511
 - Veterans whose entitlement to disability compensation is suspended because of the receipt of military retired pay
 - Veterans receiving compensation at the 10 percent rating level based on multiple noncompensable service-connected disabilities that clearly interfere with normal employability

³⁶⁶ Ibid.

³⁶⁷ “Veterans Eligibility,” Department of Veterans Affairs, accessed April 14, 2014,

<http://www.va.gov/healthbenefits/apply/veterans.asp>. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36.

³⁶⁸ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 1, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36.

³⁶⁹ Ibid.

³⁷⁰ Ibid.

³⁷¹ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 1, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp.

³⁷² Ibid, 2-4. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36.

³⁷³ Ibid, 2-4. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36(b)(1).

³⁷⁴ Ibid, 2-4. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36(b)(2).

³⁷⁵ Ibid, 2-4. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 17.36(b)(3).

- **Group 4:**³⁷⁶
 - Veterans receiving increased pension because they need regular aid and attendance or because they are permanently housebound
 - Veterans identified as catastrophically disabled
- **Group 5:**³⁷⁷
 - Non-service-connected veterans and noncompensable, service-connected veterans rated 0 percent, whose annual income and/or net worth are not greater than the VA financial thresholds
 - Veterans receiving VA pension benefits
 - Veterans eligible for Medicaid benefits
- **Group 6:**³⁷⁸
 - Veterans of the Mexican border period or of World War I
 - Compensable 0 percent service-connected Veterans
 - Veterans exposed to ionizing radiation during atmospheric testing or during the occupation of Hiroshima and Nagasaki
 - Project 112/Shipboard Hazard and Defense (SHAD) participants³⁷⁹
 - Veterans who served in the Republic of Vietnam between January 9, 1962, and May 7, 1975
 - Veterans who served in the Southwest Asia theater of operations from August 2, 1990, through November 11, 1998
 - Veterans who served in a theater of combat operations after November 11, 1998, as follows:
 - Veterans discharged from active duty on or after January 28, 2003, for five years post discharge
 - Veterans who served on active duty at Camp Lejeune for not fewer than 30 days beginning January 1, 1957, and ending December 31, 1987
- **Group 7:** Veterans with incomes less than geographic means test income thresholds and who agree to pay the applicable copayment.³⁸⁰ This category is further prioritized into the following subcategories:
 - Non-compensable 0 percent service-connected veterans who are in an enrolled status on a specified date announced in a Federal Register document and who subsequently do not request disenrollment
 - Nonservice-connected veterans who are in an enrolled status on a specified date announced in a Federal Register document and who subsequently do not request disenrollment
 - Non-compensable 0 percent service-connected veterans
 - Nonservice-connected veterans
- **Group 8:** Veterans with gross household incomes greater than the VA national income threshold and the geographically-adjusted income threshold for their

³⁷⁶ Ibid, 2-4. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(4).

³⁷⁷ Ibid, 2-4. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(5).

³⁷⁸ Ibid, 2-4. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(6).

³⁷⁹ "Project 112/Project SHAD," Department of Veterans Affairs, accessed June 2, 2014, <http://www.publichealth.va.gov/exposures/shad/index.asp>.

³⁸⁰ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 1, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(7).

resident location and who agree to pay copayments.³⁸¹ This category is further prioritized into the following subcategories:

- Veterans eligible for enrollment: Noncompensable, 0-percent service-connected and:
 - Subpriority A – Enrolled as of January 16, 2003, and who have remained enrolled since that date and/or placed in this subpriority due to changed eligibility status
 - Subpriority B – Enrolled on or after June 15, 2009, whose income exceeds the current VA national income thresholds or VA national geographic income thresholds by 10 percent or less³⁸²
- Veterans eligible for enrollment: Nonservice-connected and:
 - Subpriority C – Enrolled as of January 16, 2003, and who remained enrolled since that date and/or placed in this subpriority due to changed eligibility status
 - Subpriority D – Enrolled on or after June 15, 2009, whose income exceeds the current VA national income thresholds or VA national geographic income thresholds by 10 percent or less³⁸³
- Veterans NOT eligible for enrollment: Veterans not meeting the criteria above:
 - Subpriority E – Non-compensable 0 percent service-connected
 - Subpriority F – Nonservice-connected

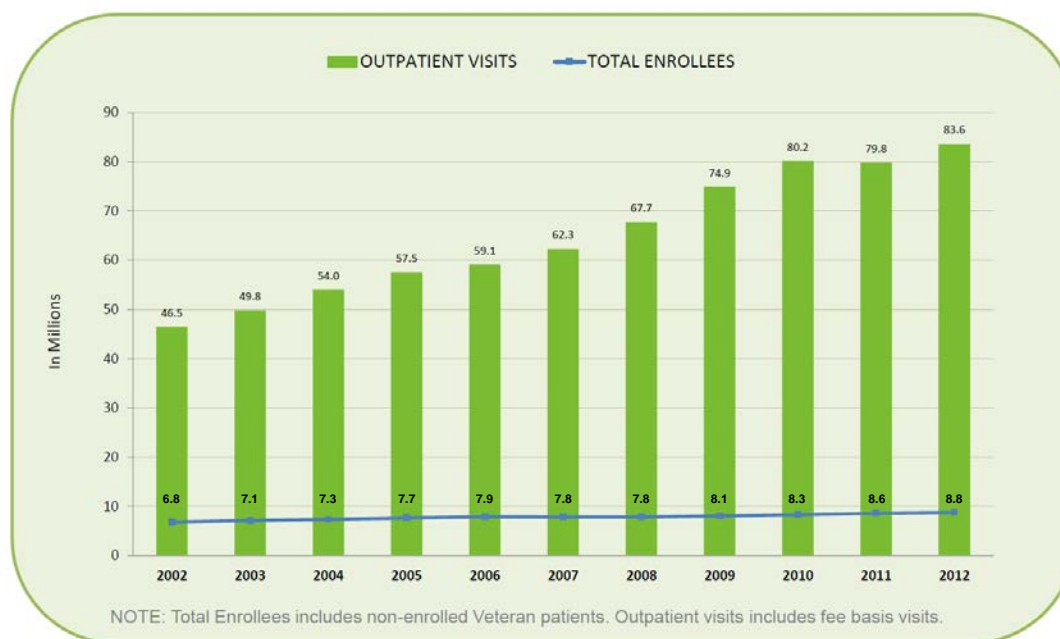
As shown in Figure 21, from FY 2002 to FY 2012, and during sustained conflict throughout the period, there was a 29.4 percent increase of veterans enrolled in the VA health care system and a 79.8 percent increase of outpatient visits.

³⁸¹ Ibid, 2-4. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(8).

³⁸² Ibid, 2-4. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.36(b)(8), 17.36(c).

³⁸³ Ibid.

Figure 21. Trends in Healthcare Enrollees and Outpatient Visits, FY 2002–FY 2012³⁸⁴



Financial Summary

Although many veterans qualify for free healthcare services based on a VA compensable service-connected condition or other qualifying factor, most veterans, who are not receiving VA disability compensation or pension payment, are asked to complete a financial assessment at the time of enrollment to determine if they qualify for free services.³⁸⁵ Veterans whose income exceeds the established VA income thresholds, as well as those who choose not to complete the financial assessment, must agree to pay required copays to become eligible for VA healthcare services.³⁸⁶

Outpatient copays consist of \$15 for primary care services and \$50 for specialty care services.³⁸⁷ The copayment amount is limited to a single charge per visit regardless of the number of health care providers seen in a single day, and the amount is based on the highest level of service received.³⁸⁸ There is no copayment requirement for preventive care services, such as screenings and immunizations.³⁸⁹

³⁸⁴ Department of Veterans Affairs, *National Center for Veterans Analysis and Statistics, Quick Facts, Trends in the Utilization of VA Programs and Services*, 6, accessed April 14, 2014, http://www.va.gov/vetdata/docs/QuickFacts/Utilization_trends_2012.pdf. Department of Veteran's Affairs, *Selected Veterans Health Administration Characteristics: FY 2002 to FY 2012*, accessed April 14, 2014, <http://www.va.gov/vetdata/docs/Utilization/VHASTats.xls>.

³⁸⁵ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 8, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp.

³⁸⁶ *Ibid.* Veterans' Benefits, 38 U.S.C. § 1710.

³⁸⁷ *Ibid.* Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(c)(2).

³⁸⁸ *Ibid.* Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(c).

³⁸⁹ Department of Veterans Affairs, *Health Care Benefits Overview 2012*, 21, accessed April 14, 2014, <http://www.va.gov/healthbenefits/resources/epublications.asp>. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(11).

While many veterans are exempt from medication copays, nonservice-connected veterans in Priority Groups 7 and 8 are charged \$9 for each 30-day-or-less supply of medication provided on an outpatient basis for the treatment of a nonservice-connected condition.³⁹⁰ Veterans enrolled in Priority Groups 2 through 6 are charged \$8 for each 30-day-or-less supply of medication.³⁹¹ Veterans in Priority Group 1 do not pay for medications.³⁹²

For inpatient care, Priority Group 7 and certain other veterans are responsible for paying 20 percent of VA's inpatient copay or \$236.80 for the first 90 days of inpatient hospital care during any 365-day period and a \$2 per day charge.³⁹³ For each additional 90 days, the charge is \$118.40.³⁹⁴ Priority Group 8 and certain other veterans are responsible for VA's full inpatient copay of \$1,184 for the first 90 days of care during any 365-day period and a \$10 per diem charge.³⁹⁵ For each additional 90 days, the charge is \$592.³⁹⁶

Long-term care copays are based on three levels of care: Inpatient: Up to \$97 per day (Nursing Home, Institutional Respite Care, Institutional Evaluation); Outpatient: \$15 per day (Adult Day Health Care, Non-institutional Respite Care, Non-institutional Geriatric Evaluation); and Domiciliary: \$5 per day.³⁹⁷ Copayments for long-term care services start on the 22nd day of care during any 12-month period; there is no copayment requirement for the first 21 days.³⁹⁸ Actual copayment charges will vary from veteran to veteran depending upon financial information submitted.³⁹⁹

Services exempt from inpatient and outpatient copays include:

- special registry examinations offered by VA to evaluate possible health risks associated with military service⁴⁰⁰
- counseling and care for military sexual trauma⁴⁰¹
- compensation and pension examinations⁴⁰²
- care that is part of a VA research project⁴⁰³
- care related to a VA-rated service-connected disability⁴⁰⁴

³⁹⁰ Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 9, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.110.

³⁹¹ Ibid.

³⁹² "Health Benefits Copay Rates," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/cost/copay_rates.asp. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.110(c).

³⁹³ See also Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108. "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

³⁹⁴ Ibid.

³⁹⁵ Ibid.

³⁹⁶ Ibid.

³⁹⁷ "Health Benefits Copay Rates," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/cost/copay_rates.asp. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(b).

³⁹⁸ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(b)(1). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

³⁹⁹ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(d). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁰ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(a)(3). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰¹ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(f)(6). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰² Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(5). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰³ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(6). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁴ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(f)(1). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

- readjustment counseling and related mental health services⁴⁰⁵
- care for cancer of head or neck caused by nose or throat radium treatments received while in the military⁴⁰⁶
- individual or group smoking cessation or weight reduction services⁴⁰⁷
- publicly announced VA public health initiatives, for example, health fairs⁴⁰⁸
- care potentially related to combat service for veterans that served in a theater of combat operations after November 11, 1998⁴⁰⁹
- laboratory and electrocardiograms⁴¹⁰
- hospice care⁴¹¹

4.2.1.2. FAMILY MEMBERS OF VETERANS

Veterans' family members under certain circumstances may be eligible for health benefits.⁴¹² Some of the programs offered include the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), Spina Bifida (SB), Children of Women Vietnam Veterans (CWVV), Foreign Medical Program (FMP), and Program of Comprehensive Assistance for Family Caregivers. Using these programs may reduce or eliminate the family member's cost for medical supplies, office visits, or prescriptions.⁴¹³

4.2.1.2.1. Civilian Health and Medical Program of the VA

Civilian Health and Medical Program (CHAMPVA) allows qualified dependents and survivors to receive reimbursement for most medical expenses: inpatient, outpatient, mental health, prescription medication, skilled nursing care, and durable medical equipment.⁴¹⁴

Beneficiaries

To be eligible for CHAMPVA, an individual cannot be eligible for TRICARE and must be one of the following:⁴¹⁵

- the spouse or child of a veteran whom VA has rated permanently and totally disabled due to a service-connected disability

⁴⁰⁵ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(f)(9). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁶ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.111(f)(7). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁷ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(12). Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(13). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁸ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(11). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴⁰⁹ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(2). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴¹⁰ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(14). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴¹¹ Ibid. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108(e)(15). "Health Benefits Copays," Department of Veterans Affairs, accessed April 14, 2014, <http://www.va.gov/HEALTHBENEFITS/cost/copays.asp>.

⁴¹² Veterans' Benefits, 38 U.S.C. § 1781.

⁴¹³ "Family Members of Veterans," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/family_members.asp.

⁴¹⁴ See generally Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.270-17.278. Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 108, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp.

⁴¹⁵ Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.271. Department of Veterans Affairs, *Federal Benefits for Veterans Dependents and Survivors, 2013 Edition, VA Pamphlet 80-13-01, P94663*, 109, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp.

- the surviving spouse or child of a veteran who died from a VA-rated, service-connected disability, or who, at the time of death, was rated permanently and totally disabled
- the surviving spouse or child of a veteran who died on active-duty service and in the line of duty, not due to misconduct (however, in most of these cases, these family members are eligible for TRICARE, not CHAMPVA)
- an approved Primary Family Caregiver under the Comprehensive Assistance for Family Caregivers program who is not eligible for health care under another health insurance plan

Financial Summary

The beneficiary cost-share is 25 percent of the CHAMPVA-determined allowable amount in excess of the annual calendar year deductible.⁴¹⁶ The beneficiary cost-share is waived for services received through VA facilities, including services provided by the CHAMPVA In-House Treatment Initiative, the Meds by Mail program, and durable medical equipment purchased through the VA.⁴¹⁷ Hospice services are not subject to a beneficiary cost-share.⁴¹⁸ CHAMPVA has an outpatient deductible of \$50 per beneficiary per calendar year or a maximum of \$100 per family per calendar year.⁴¹⁹ The deductible is applicable to outpatient services, pharmacy, durable medical equipment, transportation, dental, prosthetics, and medical supplies and waived for services received through VA facilities.⁴²⁰ There is no deductible requirement for inpatient hospital services to include individual professional services.⁴²¹ To provide financial protection against the impact of a long-term illness or injury, an annual cost limit or catastrophic cap has been placed on the beneficiary cost share amount for covered services and supplies.⁴²² The annual cap on catastrophic cost sharing is \$3,000 per CHAMPVA-eligible family in a calendar year.⁴²³

4.2.1.2.2. Spinal Bifida

The Spina Bifida (SB) Program provides comprehensive health benefits for individuals diagnosed with spina bifida (except spina bifida occulta) who are biological children of certain Vietnam and Korea Veterans.⁴²⁴ Program participants are reimbursed for inpatient and outpatient medical services, pharmacy, durable medical equipment, and supplies.⁴²⁵

⁴¹⁶ Department of Veterans Affairs, Health Administration Center, *CHAMPVA Policy Manual*, Chapter 3, Section 2.1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/champva/policymanual/index.asp>. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.274.

⁴¹⁷ Ibid. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.274(a).

⁴¹⁸ Department of Veterans Affairs, Health Administration Center, *CHAMPVA Policy Manual*, Chapter 3, Section 2.1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/champva/policymanual/index.asp>.

⁴¹⁹ Ibid, Section 2.2. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.274(b).

⁴²⁰ Ibid.

⁴²¹ Ibid.

⁴²² Department of Veterans Affairs, Health Administration Center, *CHAMPVA Policy Manual*, Chapter 3, Section 3.1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/champva/policymanual/index.asp>. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.274(c).

⁴²³ Ibid.

⁴²⁴ Department of Veterans Affairs, *Spina Bifida Health Care Program*, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/brochure/SpinaBifidaBrochure.pdf>. Veterans' Benefits, 38 U.S.C. §§ 1802-1803, 1821. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.901.

⁴²⁵ *Federal Benefits for Veterans Dependents and Survivors*, 2013 Edition, VA Pamphlet 80-13-01, P94663, 109, http://www.va.gov/opa/publications/benefits_book.asp. Veterans' Benefits, 38 U.S.C. § 1803. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.901-17.905

Beneficiaries

To be eligible for VA SB health care benefits, participants must meet one the following criteria:⁴²⁶

- be a birth child of a Korea Veteran, regardless of age or marital status, who was conceived after the date on which the Korea Veteran first served in or near the Korean demilitarized zone during the period beginning on April 1, 1968, and ending on August 31, 1971
- be a birth child of a Vietnam Veteran, regardless of age or marital status, who was conceived after the date on which the Vietnam Veteran first entered the Republic of Vietnam during the period beginning on January 9, 1962, and ending on May 7, 1975

Historical Context

In 1997, the VA instituted a program that provides health care benefits, vocational training, and a monthly allowance, based on how severe the illness is, for Vietnam Veterans' children with SB.⁴²⁷ This program was amended in 2003 to include Korea Veterans' children diagnosed with SB.⁴²⁸ The Veterans' Mental Health and Other Care Improvements Act of 2008 expanded covered benefits beyond the SB condition.⁴²⁹

4.2.1.2.3. Children of Women Vietnam Veterans

The Children of Women Vietnam Veterans (CWVV) Health Care Program is a Federal health benefits program administered by the Department of Veterans Affairs for children with certain birth defects born to women Vietnam Veterans.⁴³⁰ CWVV is a fee-for-service (indemnity plan) program that provides reimbursement for medical-care-related conditions associated with certain birth defects, except SB, which is covered under the VA's SB Program.⁴³¹ Beneficiaries may be eligible for a monthly monetary allowance, vocational training and rehabilitation, and health care benefits if they suffer from certain covered birth defects as determined by the VBA.⁴³²

Eligibility

Participants must be children born to women who served in the Republic of Vietnam during the period beginning February 28, 1961, and ending May 7, 1975.⁴³³ Qualifying

⁴²⁶ Department of Veterans Affairs, *Spina Bifida Health Care Program*, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/brochure/SpinaBifidaBrochure.pdf>. Veterans' Benefits, 38 U.S.C. §§ 1802-1803, 1821. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.901.

⁴²⁷ Department of Veterans Affairs, *Spina Bifida Health Care Program*, 20, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/brochure/SpinaBifidaBrochure.pdf>. Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997, Pub. L. No. 104-204, § 421, 110 Stat. 2874, 2923 (1996).

⁴²⁸ Department of Veterans Affairs, *Spina Bifida Policy Manual*, Chapter 1, Section 1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/policymanual/index.asp>. Veterans Benefits Act of 2003, Pub. L. No. 108-183, § 102, 117 Stat. 2651, 2653 (2003).

⁴²⁹ Department of Veterans Affairs, *Spina Bifida Policy Manual*, Chapter 1, Section 1, accessed April 14, 2014, <http://www4.va.gov/hac/forbeneficiaries/spina/policymanual/index.asp>. Veterans' Mental Health and Other Care Improvements Act of 2008, Pub. L. No. 110-387, § 408, 122 Stat. 4110, 4130 (2008).

⁴³⁰ Veterans' Benefits, 38 U.S.C. § 5301(a)(1). Office of Public and Intergovernmental Affairs, *Federal Benefits for Veterans, Dependents, and Survivors*, Chapters 12 and 13, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp.

⁴³¹ Department of Veterans Affairs, Health Administration Center, *Fact Sheet (01-26): The CWVV Health Care Program*, accessed April 14, 2014, <http://www.va.gov/hac/factsheets/spina/FactSheet01-26.pdf>. Veterans' Benefits, 38 U.S.C. §§ 1811-1816. Pensions, Bonuses, and Veterans' Relief, 38 CFR 3.815.

⁴³² "Health Benefits Copay Rates," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/cost/copay_rates.asp. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.110(c). Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.108.

⁴³³ Veterans' Benefits, 38 U.S.C. § 1831.

birth defects include those associated with the service of the mother in Vietnam that resulted in permanent physical or mental disability.⁴³⁴ Conditions due to familial disorders, birth-related injuries, or fetal or neonatal infirmities with well-established causes are not covered.⁴³⁵

4.2.1.2.4. Bereavement Counseling

VA Vet Centers provide bereavement counseling to all family members including spouses, children, parents, and siblings of Service members who die while on active duty.⁴³⁶

Bereavement counseling is also available through any VA medical center to immediate family members of veterans who die unexpectedly or while participating in a VA hospice or similar program, as long as the immediate family members had been receiving family support services in connection with or in furtherance of the veteran's treatment.⁴³⁷ This limited-duration bereavement counseling is generally authorized for up to 60 days; however, VA medical center directors may approve a longer period of time when medically indicated.⁴³⁸

4.2.1.2.5. Services and Supports for Family Caregivers

- **VA Comprehensive Assistance Family Caregiver's Program**

Family caregivers of eligible, seriously injured post-9/11 veterans may receive a stipend and access to health care coverage if they are not already entitled to care or services under a health plan contract, including Medicare, Medicaid, or worker's compensation.⁴³⁹ Mental health counseling, including marriage and family counseling, will also be provided.⁴⁴⁰ Caregivers may also be eligible for travel, lodging, and per diem when they accompany the veteran for care or attend training.⁴⁴¹

- **In-Home and Community-Based Care**

This program includes skilled home health care, homemaker home health aide services, community adult day health care, and home-based primary care.⁴⁴²

- **Respite Care**

This program is designed to relieve the family caregiver from the constant challenge of caring for a chronically ill or disabled veteran at home.⁴⁴³ Respite

⁴³⁴ Veterans' Benefits, 38 U.S.C. § 1812.

⁴³⁵ Office of Public and Intergovernmental Affairs, *Federal Benefits for Veterans, Dependents, and Survivors*, Chapters 12 and 13, accessed April 14, 2014, http://www.va.gov/opa/publications/benefits_book.asp. Veterans' Benefits, 38 U.S.C. § 1812.

⁴³⁶ "Health Benefits, Family Members of Veterans Caregiver Program," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/family_members.asp. Veterans' Benefits, 38 U.S.C. § 1712A. Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.2000.

⁴³⁷ *Ibid.* Veterans' Benefits, 38 U.S.C. § 1783.

⁴³⁸ *Ibid.* Pensions, Bonuses, and Veterans' Relief, 38 CFR 17.98.

⁴³⁹ "Health Benefits, Family Members of Veterans, Caregiver Program," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/family_members.asp. Veterans' Benefits, 38 U.S.C. § 1720G.

⁴⁴⁰ *Ibid.* Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.40.

⁴⁴¹ *Ibid.*

⁴⁴² Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.40. "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

⁴⁴³ "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

services can include in-home care, a short stay in one of the VA's community living centers, or an environment designed for adult day health care.⁴⁴⁴

- **Caregiver Education and Training Programs**

The VA currently provides multiple training opportunities to include pre-discharge care instruction and specialized caregiver programs in multiple severe traumas such as traumatic brain injury, spinal cord injury/disorders, and blind rehabilitation.⁴⁴⁵

- **Caregiver Support Groups and Other Services**

Family caregiver support groups, offered in a face-to-face setting or on the telephone, provide emotional and peer support and information.⁴⁴⁶ Family caregiver services include family counseling, spiritual and pastoral care, family leisure and recreational activities, and temporary lodging.⁴⁴⁷

- **Other Services**

The VA provides durable medical equipment and prosthetic and sensory aides to improve function, financial assistance with home modification to improve access and mobility, and transportation assistance for some veterans to facilitate travel to and from medical appointments.⁴⁴⁸

4.2.2. DISABILITY BENEFITS

4.2.2.1. DISABILITY COMPENSATION

The tax-free⁴⁴⁹ basic disability compensation benefit is applied toward care for any injury or illness incurred or aggravated while in the line of duty in the active military during a period of war or during an active-duty assignment during peacetime, after which the veteran was not discharged or released under dishonorable conditions.⁴⁵⁰ Such illness or injury must not have been caused by willful misconduct of the veteran or alcohol or drug abuse.⁴⁵¹ The injuries and illnesses meeting these criteria are deemed service connected.⁴⁵² The rates are generally based on the "average impairments of earning capacity resulting from such injuries in civilian occupations."⁴⁵³ Disability compensation is awarded by rate.⁴⁵⁴

⁴⁴⁴ Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.40. "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

⁴⁴⁵ Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.25. "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

⁴⁴⁶ Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.40. "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

⁴⁴⁷ Pensions, Bonuses, and Veterans' Relief, 38 CFR 71.25.

⁴⁴⁸ "Caregiver Services," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/healthbenefits/apply/Caregiver_Services.asp.

⁴⁴⁹ Internal Revenue Code, 26 U.S.C. § 104(a)(4). Veterans' Benefits, 38 U.S.C. § 5301(a)(1).

⁴⁵⁰ Veterans' Benefits, 38 U.S.C. §§ 1110, 1113.

⁴⁵¹ Ibid.

⁴⁵² Veterans' Benefits, 38 U.S.C. § 101(16).

⁴⁵³ Ibid. Veterans' Benefits, 38 U.S.C. §§ 1114, 1134.

⁴⁵⁴ Veterans' Benefits, 38 U.S.C. §§ 1114, 1134.

Historical Context

Veterans' disability benefits predate the American Revolutionary War era. In 1636, Plymouth Colony ordered that any disabled soldier wounded while defending the colony would be maintained by the colony for life.⁴⁵⁵

In 1776, the Continental Congress established disability pensions (now called Disability Compensation) for veterans who became disabled during military service.⁴⁵⁶ Such disability compensation was based on a number of factors, to include the military rank of the veteran, degree of disability, and its impact on the veterans' ability to earn a livelihood.⁴⁵⁷ In 1862, a general pension act allowed disability payments to Union troops to be based on rank and degree of disability.⁴⁵⁸ In 1873, pension policies were revised to include disability pay based on the degree of disability.⁴⁵⁹ The Dependent Pension Act of 1890 expanded benefits to eligible dependents under certain conditions.⁴⁶⁰

In 1917, legislation called for a rating schedule for disabilities that was "based on average impairment of the veteran's earnings capacity and compensation for service-connected aggravation of a condition that existed prior to military service."⁴⁶¹ In the Administrative Procedure Act of 1946, the Congress directed the VA to reevaluate disability ratings pursuant to the VA Revised Schedule for Rating Disabilities, 1945.⁴⁶²

Disability Rating Schedule⁴⁶³

Veterans' disability compensation benefit is based the severity of the disability using a percentage schedule.⁴⁶⁴ "The schedule assigns percentages for varying levels of severity associated with individual medical diagnoses, the ratings for which vary from 0 percent to 100 percent in gradations of 10."⁴⁶⁵ Rating schedules date back to the War Risk Insurance Act of 1917, which called for their implementation.⁴⁶⁶ "This schedule was to be based on the impairment in earning capacity caused by the disability."⁴⁶⁷

⁴⁵⁵ David Pulsifer, ed., *Records of the Colony of New Plymouth in New England* (Boston: William White, 1861), 13. "VA History," Department of Veterans Affairs, accessed April 14, 2014, http://www.va.gov/about_va/vahistory.asp.

⁴⁵⁶ Department of Veterans Affairs, *VA History In Brief*, accessed April 14, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf. "History—VA History," Department of Veteran Affairs, accessed April 14, 2014, http://www.va.gov/about_va/vahistory.asp.

⁴⁵⁷ Ibid.

⁴⁵⁸ An Act to Grant Pensions, 37 Stat. 566-568 (1862).

⁴⁵⁹ An Act to Revise, Consolidate, and Amend the Laws Relating to Pensions, 42 Stat. 567-569 (1873).

⁴⁶⁰ Act of June 27, 1890, 26 Stat. 182 (1890).

⁴⁶¹ War Risk Insurance Act Amendments: Pub. L. No. 65-20, 40 Stat. 102 (1917) and Pub. L. No. 65-90, 40 Stat. 398 (1917). VA Department of Veteran Affairs, *Disability Compensation Program: Legislative History*, 33-35, accessed April 14, 2014, http://www.va.gov/op3/docs/ProgramEvaluations/DisCompProgram/Disability_Comp_Legislative_Histor_Lit_Review.pdf.

⁴⁶² Administrative Procedure Act, Pub. L. No. 79-458, 60 Stat. 319 (1946).

⁴⁶³ Department of Veterans Affairs, *VA Disability Compensation Program Legislative History*, accessed April 14, 2014, http://www.va.gov/op3/docs/ProgramEvaluations/DisCompProgram/Disability_Comp_Legislative_Histor_Lit_Review.pdf.

⁴⁶⁴ Veterans' Benefits, 38 U.S.C. § 1155.

⁴⁶⁵ Veterans' Benefits, 38 U.S.C. § 1114.

⁴⁶⁶ War Risk Insurance Act Amendments: Pub. L. No. 65-20, 40 Stat. 102 (1917) and Pub. L. No. 65-90, 40 Stat. 398 (1917). Department of Veterans Affairs, *Disability Compensation Program: Legislative History*, 33-35, accessed April 14, 2014, http://www.va.gov/op3/docs/ProgramEvaluations/DisCompProgram/Disability_Comp_Legislative_Histor_Lit_Review.pdf.

⁴⁶⁷ Ibid.

Beneficiaries

Any veteran rated at least 10 percent for disability resulting from a service-connected illness or injury or an illness or injury that was aggravated as a result of service, who has been discharged under other than dishonorable conditions, is eligible for benefits.⁴⁶⁸

4.2.2.2. COMBAT-RELATED SPECIAL COMPENSATION

Combat-related Special Compensation is a tax-free, monetary benefit for veterans with disabilities determined by the member's respective service to be related to combat service.⁴⁶⁹ More information on Combat-Related Special Compensation can be found in Section 3.5.2.

4.2.2.3. DEPENDENCY AND INDEMNITY COMPENSATION

Surviving spouses, children, or parents of Service members who died while on active duty, active duty for training, or inactive-duty training, or survivors of veterans or who died from their service-connected disabilities may receive dependency and indemnity compensation, a tax-free monetary benefit.⁴⁷⁰ More information on Dependency and Indemnity Compensation can be found in Section 3.6.1.

4.2.2.4. SPECIAL MONTHLY COMPENSATION

When veterans require aid and attendance by another person or experience special circumstances such as the loss of a leg or a hand, their spouses, surviving spouses, and parents may receive Special Monthly Compensation.⁴⁷¹ This benefit is paid based on the need of the veteran to receive aid and attendance by another person.⁴⁷²

4.2.2.5. INDIVIDUAL UNEMPLOYABILITY

Veterans who fall in the Individual Unemployability (IU) category, and the VA deems unable to engage in substantial work,⁴⁷³ may receive supplemental disability compensation provided to veterans.⁴⁷⁴ Eligibility is based on disability rating and unemployability.⁴⁷⁵ To be eligible, if the veteran has only one qualifying disability, it must be ratable at 60 percent or more.⁴⁷⁶ If the veteran has two or more disabilities, one disability must be ratable at 40 percent or more, and the combined rating must be 70 percent or more.⁴⁷⁷ A veteran must also be "unable to secure or follow a

⁴⁶⁸ Summary of VA Benefits brochure, September 2012 - VA PAM 27-12-2. Veterans' Benefits, 38 U.S.C. §§ 1110, 1131.

⁴⁶⁹ "Combat Related Special Compensation," Defense Finance and Accounting Service, accessed April 14, 2014, <http://www.dfas.mil/retiredmilitary/disability/crsc.html>. Armed Forces, 10 U.S.C. § 1413a.

⁴⁷⁰ "Types of Compensation," Department of Veterans Affairs, accessed April 14, 2014, <http://www.benefits.va.gov/compensation/types-compensation.asp>. Veterans' Benefits, 38 U.S.C. § 1310.

⁴⁷¹ Ibid. National Defense, 38 U.S.C. § 1114. Pensions, Bonuses, and Veterans' Relief, 38 CFR 3.350.

⁴⁷² "Types of Compensation," Department of Veterans Affairs, accessed April 14, 2014, <http://www.benefits.va.gov/compensation/types-compensation.asp>. Veterans' Benefits, 38 U.S.C. §§ 1310, 1114. Pensions, Bonuses, and Veterans' Relief, 38 CFR 3.350, 3.351.

⁴⁷³ "Special Claims," Department of Veterans Affairs, accessed April 14, 2014, <http://www.benefits.va.gov/COMPENSATION/claims-special-index.asp>. Pensions, Bonuses, and Veterans' Relief, 38 CFR 4.18.

⁴⁷⁴ Pensions, Bonuses, and Veterans' Relief, 38 CFR 4.16.

⁴⁷⁵ Pensions, Bonuses, and Veterans' Relief, 38 CFR 4.16, 4.18.

⁴⁷⁶ Pensions, Bonuses, and Veterans' Relief, 38 CFR 4.16.

⁴⁷⁷ Ibid.

substantially gainful occupation as a result of service-connected disabilities.”⁴⁷⁸ Marginal employment is not considered substantially gainful employment.⁴⁷⁹ A veteran is deemed to be marginally employed when his/her earned annual income is below Federal poverty guidelines for one person.⁴⁸⁰

4.3. PROGRAMS IN OTHER UNIFORMED SERVICES

As defined and described above, members of the uniformed services and their families are eligible for the TRICARE benefit.⁴⁸¹ Primarily, the members of the uniformed services receive the health care benefit from MTFs.⁴⁸² The USCG, NOAA, and PHS also deliver limited health care for their members as outlined below.

4.3.1. U.S. COAST GUARD

The U.S. Coast Guard (USCG) provides care to its members through USCG clinics, dental clinics, “sick bay” facilities, and regional practices.⁴⁸³

- USCG health care facilities include clinics, which provide outpatient medical services for ambulatory patients. Clinics must provide “nontherapeutic activities related to the health of the personnel which are necessary to support the operational mission of the unit,” including, but not limited to, physical examinations, preventive medicine, immunizations, and periodic health assessments.⁴⁸⁴
- USCG dental clinics provide care for active-duty personnel.⁴⁸⁵
- “Sick Bays” are small medical treatment facilities, either afloat or ashore, for the care and treatment of active-duty personnel.⁴⁸⁶
- Regional practices have multisite responsibility for delivering health, safety, and work-life programs within an area of responsibility.⁴⁸⁷
- Public Health Service personnel provide medical care to Service members in the USCG clinics.⁴⁸⁸ The PHS personnel detailed to the USCG wear the USCG uniform and are subject to USCG regulations and the Uniformed Code of Military Justice.⁴⁸⁹

⁴⁷⁸ Ibid. Pensions, Bonuses, and Veterans’ Relief, 38 CFR 4.18.

⁴⁷⁹ Pensions, Bonuses, and Veterans’ Relief, 38 CFR 4.16.

⁴⁸⁰ Ibid.

⁴⁸¹ See generally Armed Forces, 10 U.S.C. ch. 55. “Defense Health Agency,” Military Health System and Defense Health Agency, <http://health.mil/About-MHS/Defense-Health-Agency>. Department of Defense, *Evaluation of the TRICARE Program: Access, Cost, and Quality, Fiscal Year 2013 Report to Congress*, 4, accessed June 20, 2014, http://tricare.mil/tma/dhcape/program/downloads/TRICARE2013%2002_28_13%20v2.pdf.

⁴⁸² Armed Forces, 10 U.S.C. § 1074. “Eligibility,” Department of Defense, accessed June 20, 2014, <http://www.tricare.mil/Plans/Eligibility.aspx>.

⁴⁸³ Coast Guard Facilities, Coast Guard Medical Manual, COMDTINST M6000.1E, Chapter 2.I, 1 (2011).

⁴⁸⁴ Ibid.

⁴⁸⁵ Ibid.

⁴⁸⁶ Ibid.

⁴⁸⁷ Ibid.

⁴⁸⁸ The Public Health and Welfare, 42 U.S.C. § 253.

⁴⁸⁹ Health, Safety, and Work-Life Service Center, Coast Guard Medical Manual, COMDTINST M6000.1E, Chapter 1.A., 3 (2011).

4.3.2. U.S. PUBLIC HEALTH SERVICE

The U.S. Public Health Service (USPHS) Commissioned Corps provides public health professionals to serve in principal health care positions, both in leadership and clinical services, within Federal Government agencies.⁴⁹⁰

For delivery of care to USPHS Officers, if their duty station lies within the catchment area of an MTF, they must use that facility as their source of primary care.⁴⁹¹ If outside a catchment area, then healthcare is available in accordance with the Public Health Services Act (Title 42, U.S. Code) and other applicable laws and regulations.⁴⁹²

4.3.3. NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The National Oceanic and Atmospheric Administration's (NOAA's) Office of Marine and Aviation Operations, Office of Medical Services oversees the administration and delivery of health care services to NOAA Corps officers, Wage Marine employees, Aircraft Operations personnel, and other embarked personnel aboard NOAA vessels and aircraft.⁴⁹³ The staff comprises USPHS officers.⁴⁹⁴

The NOAA Safety and Environment Compliance Office administers occupational health services for the National Capital Region.⁴⁹⁵ This office provides blood pressure screenings, allergy shot clinics, annual influenza shot clinics, preventive health screenings, physical examinations, special examinations as required by the Occupational Safety and Health Administration, and travel immunizations.⁴⁹⁶

⁴⁹⁰ "About the U.S. Health Service Commissioned Corps," Commissioned Corps of the U.S. Health Service, accessed April 14, 2014, <http://www.usphs.gov/aboutus/>.

⁴⁹¹ The Public Health and Welfare, 42 U.S.C. § 253. Public Health, 42 CFR 31. Officers' Health Care, Section B, PHS Personnel Instruction 7, CC29.3 (1997).

⁴⁹² Ibid.

⁴⁹³ "Office of Medical Services," National Oceanic and Atmospheric Administration, accessed April 14, 2014, <http://www.oma.noaa.gov/medical.html>.

⁴⁹⁴ Ibid.

⁴⁹⁵ "Health Services Unit," National Oceanic and Atmospheric Administration, accessed April 14, 2014, http://www.corporateservices.noaa.gov/rpflo/facilities_operations/ncr/facility_services/health-services-unit.html.

⁴⁹⁶ Ibid.

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5. QUALITY OF LIFE BENEFITS

Quality of Life (QoL) programs across the Federal Government ease the stress of military life, enhance well-being, improve readiness, and sustain recruiting and retention for Service members, veterans, retirees, and their families.¹ These programs support opportunities to relax, promote fitness, encourage esprit de corps, support a strong sense of community, and provide a higher overall quality of life for all members of a military community.²

A number of programs that can promote quality of life for Service members and their families are not addressed in this report because they are considered outside the Commission's scope of study. These programs and benefits include:

- education and training obtained while on duty, education and training in connection with military service, and Professional Military Education
- chaplain services such as religious rites, worship services, confidential counseling, and advice to commanders on religious, spiritual and moral matters
- legal services provided through the Judge Advocate General's Corps such as wills, notary services, and review of rental agreements
- benefits provided and funded by the States

The QoL section of this report is organized by the Federal department or agency that administers each program. Each section provides a summary of the benefits and services provided by that agency. Cross-Agency Benefits, those administered by multiple agencies, are covered in the final QoL section.

5.1. DEPARTMENT OF DEFENSE PROGRAMS

5.1.1. COMMISSARIES

Military commissaries are grocery stores operated by DoD³ that sell merchandise at reduced prices.⁴ As specified in 10 U.S.C. § 2484, "commissary stores are intended to be similar to commercial grocery stores and may sell merchandise similar to that sold in commercial grocery stores."⁵ Eligible patrons include Active Duty, Guard, Reserve, and retired uniformed Service members, their dependents, and other specifically authorized groups.⁶ The Defense Commissary Agency (DeCA) operates 246 commissaries in 13 countries and 2 U.S. territories.⁷

¹ Military Family Readiness, DoDI 1342.22, 2 (2012).

² Ibid.

³ Armed Forces, 10 U.S.C. § 2481 (2014).

⁴ Ibid. See also Armed Forces, 10 U.S.C. § 2484 (2014).

⁵ Armed Forces, 10 U.S.C. § 2484.

⁶ Ibid. See also Armed Forces, 10 U.S.C. §§ 1061-1064. DoD implementing instruction can be found at Armed Services Commissary Operations, Enclosure, DoDI 1330.17, 4 (2008).

⁷ Defense Commissary Agency, *Annual Financial Report, Fiscal Year 2013*, 7, accessed May 24, 2014, <http://www.commissaries.com/documents/whatsnew/afr/afr-2013.pdf>.

Commissaries provide name-brand products that are regularly sold outside of commissary stores (under the same brand name).⁸ These name-brand products may be purchased by DeCA using other than competitive procedures.⁹ Commissaries do not currently offer generic or private-label brands, but for some products they offer low-price, alternative brands known as Best Value Items.¹⁰

The Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD(P&R)) serves as the principal point of contact for all commissary matters within the DoD.¹¹ Among other responsibilities, the PDUSD(P&R) chairs the DoD Executive Resale Board. This board provides advice on the complementary operation of the Defense commissary system and the Armed Services' Exchange systems.¹² The board reviews, not less than annually, the resale information system standards, joint or combined commissary and exchange store operations, joint construction projects, commissary and exchange cooperative efforts, and merchandise, goods, and services authorized for sale.¹³ The board also works to resolve disagreements between elements of the military resale system.¹⁴ Additionally, the PDUSD(P&R) receives advice from the DoD DeCA Board of Directors on the prudent operation of the commissary system.¹⁵

According to DoD Instruction 1330.17, "Commissary stores may be established and maintained at installations and locations that have an active-duty mission and significant active-duty populations. As a general rule, commissary operations are discontinued when an installation is completely closed and no Active or Reserve Component personnel remain on the installation."¹⁶

"The commissary program is an integral element of the military pay and benefits package for active-duty personnel. An income benefit is provided through savings on purchases of food and household items necessary to subsist and maintain the household of the military member for the inclusive period of compensated duty or service."¹⁷ DoD Instruction 1330.17 directs DeCA to "maintain 30 percent average savings on commissary purchases as compared to the commercial stores in the United States" and "track savings by using an annual price comparison assessment conducted in accordance with standard industry practices."¹⁸ According to DeCA, the FY 2013 price comparison assessed average commissary prices to be 30.5 percent lower than commercial prices.¹⁹ Actual savings vary by region, individual shopping patterns, and local alternatives. In general, OCONUS savings (including Alaska and Hawaii) are higher than savings in the 48 contiguous states.²⁰

⁸ Armed Forces, 10 U.S.C. § 2484(f).

⁹ Ibid. See also Armed Forces, 10 U.S.C. § 2304(c)(5).

¹⁰ Defense Commissary Agency, *DeCA Fiscal Year 2005 President's Budget, Defense Overview, February 2004*, 4, accessed May 24, 2014, http://www.mcrmc.gov/public/docs/library/qol/DeCA_FY_2005_PB.pdf.

¹¹ Armed Services Commissary Operations, DoDI 1330.17, Enclosure 2, 6 (2008).

¹² Ibid, 10.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid, 9.

¹⁶ Armed Services Commissary Operations, DoDI 1330.17, Section 4.c (2008).

¹⁷ Ibid.

¹⁸ Armed Services Commissary Operations, DoDI 1330.17 (2008).

¹⁹ Defense Commissary Agency, *New Price Study Validates 30% Savings, January 9, 2014*, accessed June 11, 2014, http://www.commissaries.com/press_room/press_release/2014/DeCA_01_14.cfm

²⁰ Congressional Budget Office, *The Costs and Benefits of Retail Activities at Military Bases, October 1997*, accessed June 12, 2014, <http://www.cbo.gov/publication/10457>. 2013 Price Comparison Survey, Worldwide Savings Using All Outlets Combined (AOC) Database, provided by Defense Commissary Agency, e-mail to MCRMC, May 20, 2014.

In addition to savings, commissaries provide other benefits to patrons, the DoD, and the country, including the following:

- Employment opportunities and continuity for Service members' families as they are moved from one duty assignment to another. In FY 2013, of 13,115 U.S. civilian employees, approximately 64 percent had a military affiliation, including 3,711 military spouses (28 percent), 990 dependents (8 percent), 1,598 retirees (12 percent), 256 guard and reserve (2 percent), and 1,825 other veterans (14 percent).²¹
- Shopping convenience for Service members living on or near military installations, particularly those in remote or isolated areas where commercial shopping alternatives are limited or unavailable.
- Familiar and consistent U.S. products, brands, and prices for Service members assigned to overseas installations, offering insulation, when desired, from local tastes, health concerns, labeling differences, and currency exchange rate fluctuations.²²
- Support of U.S. socio-economic policies through preferential contracting with the National Industries for the Blind,²³ AbilityOne,²⁴ and small and disadvantaged businesses.²⁵
- Reductions in Cost of Living Allowance (COLA) levels in areas served by commissaries.²⁶
- Savings that stretch the value of Supplemental Nutrition Assistance Program (SNAP) and Women, Infants and Children (WIC) coupons.
- Participation in community support efforts such as the "Scholarships for Military Children Program," funded by manufacturers and suppliers whose products are sold at commissaries.²⁷
- Support for the DoD Healthy Base Initiative, promoting improved health among Service members.²⁸

Using the American Customer Satisfaction Index, in FY 2013, the commissary system received a score of 82. The industry average for the same period was 77.²⁹

Unlike prices at commercial grocery stores, the prices of commissary merchandise are restricted by law.³⁰ The price paid by commissary patrons is the cost of groceries to DeCA from vendors, plus a 1 percent increase in price for costs associated with

²¹ Ibid.

²² Armed Services Commissary Operations, DoDI 1330.17, Enclosure 7, 33 (2008).

²³ "Chicago Lighthouse Produces Five Millionth Clock," *Opportunity, A Publication of National Industries for the Blind*, 6, no. 1 (2013): 19, http://www.nib.org/sites/default/files/Opportunity/OpportunityWinter2013_508.pdf.

²⁴ AbilityOne Commission, *U.S. AbilityOne Annual Report 2011*, 18, 21, accessed May 24, 2014, http://www.abilityone.gov/media_room/documents/AbilityOne-Annual_Report_2011_508%20FINAL.pdf.

²⁵ Defense Commissary Agency, *Annual Financial Report, Fiscal Year 2013*, 34, accessed May 24, 2014, <http://www.commissaries.com/documents/whatsnew/afr/afr-2013.pdf>.

²⁶ Armed Services Commissary Operations, DoDI 1330.17, Enclosure 3 (2008) for calculation of CONUS COLA. See also "Calculation of Local Costs," Defense Travel Management Office, accessed May 14, 2014, <http://www.defensetravel.dod.mil/site/conusCostCalc.cfm>, for calculation of overseas COLA. See also "Overseas Cost of Living Allowances (COLA) Frequently Asked Questions," Defense Travel Management Office, accessed May 14, 2014, <http://www.defensetravel.dod.mil/site/faqcola.cfm>.

²⁷ "Fact Sheet: Scholarships for Military Children," Scholarships for Military Children, accessed Feb. 8, 2014, <http://www.militaryscholar.org>.

²⁸ "Healthy Base Initiative," Military OneSource, accessed March 18, 2014, <http://www.militaryonesource.mil/hbi>.

²⁹ Defense Commissary Agency, *Annual Financial Report, Fiscal Year 2013*, 19, accessed May 24, 2014, <http://www.commissaries.com/documents/whatsnew/afr/afr-2013.pdf>.

³⁰ Armed Forces, 10 U.S.C. §§ 2481 and 2484.

shrinkage, theft, or deterioration, adjustments to reconcile internal records, and other costs,³¹ plus a uniform 5 percent surcharge that is reinvested back into the stores and supporting systems.³² Unlike most commercial grocers, the cost of transporting products to the commissary and the cost of stocking products on the commissary shelves are included in the cost of goods, paid by DeCA to vendors. In the commissary pricing model, these distribution and stocking costs are passed on to commissary patrons. Figure 22 illustrates this model. The entries are for illustrative purposes only and do not represent a particular product or supplier.

Figure 22. Commissary Cost to Patron Example



Some suppliers/manufacturers offer discounts (e.g., credits, promotions) on their products based on factors such as purchase volumes, favorable store displays, store efficiency, pricing strategies, available merchandise, and shelf life. With the commissary pricing model, unlike commercial grocery stores, these discounts are always passed directly to patrons through lower prices or “military only” coupons.³³

Another potential cost for commissary patrons is voluntary gratuities paid to grocery baggers. Baggers are licensed, but they are not employees/contractors employed by the installation, DeCA, DoD, or the Federal Government.³⁴ They are permitted to provide this service for tips to “enhance the quality of life of military families.”³⁵

³¹ Cost Recoup Policy and Procedure, DeCA Policy Letter 40-70 (1999).

³² Armed Forces, 10 U.S.C. § 2484.

³³ Armed Services Commissary Operations, DoDI 1330.17, Enclosure 7, para 1.g.

³⁴ Ibid.

³⁵ Ibid.

Beneficiaries

The following individuals, organizations, and activities are authorized commissary patrons and have unlimited commissary privileges (unless prohibited by treaty or other international agreement in foreign countries):³⁶

- uniformed personnel (Army, Marine Corps, Navy, Air Force, Coast Guard, U.S. Public Health Service (USPHS), and National Oceanic and Atmospheric Administration (NOAA)), including National Guard and Reserves
- retired uniformed personnel
- recipients of the Congressional Medal of Honor
- honorably discharged veterans when hospitalized or certified 100 percent disabled by the Department of Veterans Affairs (VA)
- authorized family members
- cadets and midshipmen of the Armed Services academies
- noncommissioned ship's officers and crew members of NOAA
- retired noncommissioned ship's officers and crew members of NOAA
- U.S. civilian DoD employees when stationed outside the United States and U.S. territories and possessions
- official DoD and Military Services organizations and activities
- involuntarily separated uniformed personnel (with restrictions)
- dependents of uniformed personnel who have been separated for dependent abuse (with restrictions)³⁷

The following individuals, organizations, and activities may be permitted access to make purchases at the commissary (unless prohibited by treaty or other international agreement in foreign countries):

- hospitalized veterans (discharged under honorable conditions from the uniformed services)
- DoD civilian employees assigned to the U.S. territories and possessions (and authorized family members) under a valid transportation agreement
- military personnel of foreign nations when on duty with a U.S. military service (if specifically authorized)
- non-DoD U.S. Government departments or agencies in overseas areas (bulk sales)
- civilian employees of non-DoD U.S. Government departments or agencies outside the United States and outside the U.S. territories and possessions (if specifically authorized)
- American Red Cross (ARC) personnel (if specifically authorized)
- United Service Organizations (USO), specific representatives and clubs (overseas only, if specifically authorized)
- United Seamen's Service (if specifically authorized)
- Armed Services Young Men's Christian Association (ASYMCA) (overseas only, if specifically authorized)
- personal agents or personal representatives (if specifically authorized)

³⁶ Ibid.

³⁷ Armed Forces, 10 U.S.C. § 1059.

- DeCA employees (within the United States, with restrictions, for personal consumption during meals and other authorized breaks within their scheduled working hours)
- those affected by Federally declared disasters (on a temporary basis, with restrictions, if specifically authorized)

Additional details on authorized patrons can be found in DoD Instruction 1330.17.³⁸

Historical Context

Sales of goods from commissary department storehouses to U.S. military personnel began in 1825, when Army officers at specified posts could make purchases for their personal use, paying at-cost prices. By 1841, officers could also purchase items for members of their immediate families. In 1867, enlisted personnel received the same at-cost purchasing privileges as officers. No geographic restrictions were placed upon these sales; the commissary warehouses at every Army post could become a sales location, whether they were located on the frontier or near a large city with private sector alternatives.³⁹

A shift to military owned and operated commissaries minimized the dependence on private sector merchants (sutlers) and post traders who had sometimes exploited military personnel.⁴⁰ The military stores provided food beyond that supplied in official rations and the savings supplemented military pay. The commissary retail function developed and grew, roughly paralleling the development of the retail grocery industry. The 82-item commissary stock list of 1868 was comparable to the stock assortment in a typical private sector dry goods grocery store at that time. Commissaries kept pace with developments in private sector supermarkets, and the average commissary today has more than 10,000 items.⁴¹

As overseas military presence grew, commissaries spread around the world. The first overseas stores opened in the Philippines and China in 1899 and 1900. They were soon followed by commissaries in the Caribbean and Panama. Eventually, all the Military Services adopted the Army's concept of commissary sales stores and tailored the concept to their own needs. The Navy and Marine Corps opened their first commissaries in 1909 and 1910 respectively, and the Air Force inherited its stores from the Army Air Forces in 1947 and 1948. By the mid-1970s, each of the Services ran its own commissary agency, with differing procedures and systems: the Army Troop Support Agency, the Navy Resale System Support Office, the Commissary Section of the Marine Corps Services Command, and the Air Force Commissary Service.⁴²

In 1989, the Congress directed DoD to conduct a study of the separate military commissary systems. The ensuing report by the Jones Commission recommended consolidating the Service systems into one agency to improve service and save

³⁸ Armed Services Commissary Operations, DoDI 1330.17 (2008).

³⁹ "History of U.S. Military Commissaries," Defense Commissary Agency, accessed February 24, 2014, <https://www.commissaries.com/history.cfm>.

⁴⁰ Francis A. Lord, *Civil War Sutlers and Their Wares*. (New York: T. Yoseloff, 1969).

⁴¹ "History of U.S. Military Commissaries," Defense Commissary Agency, accessed February 24, 2014, <https://www.commissaries.com/history.cfm>.

⁴² Ibid.

money.⁴³ The Defense Commissary Agency (DeCA) was established in 1990 and assumed full control of all commissaries for the Armed Forces on October 1, 1991.⁴⁴

Financial Summary

For FY 2013, commissary revenues totaled \$5.9 billion.⁴⁵

In FY 2013, DeCA received \$1.37 billion of appropriated funding⁴⁶ to pay store operating costs, including employee salaries and wages, second destination transportation (SDT), reimbursable base operations support (e.g., utilities), communications, operating supplies and services, and indirect support of information technology and other systems.⁴⁷ DeCA headquarters costs, “back-end” information technology costs, and costs associated with central processing facilities are also paid with appropriated funds.⁴⁸ In 1998, DoD Reform Initiative Directive #37 transferred responsibility for requesting appropriated funds from DeCA to the Military Services.⁴⁹ “The share of customer funding by each Service is based on a percentage of total active-duty personnel and military retirees by Service,” including the Guard and Reserve.⁵⁰

For FY 2013, \$152 million of the appropriated funding was spent on SDT costs.⁵¹ This covers the cost of transporting goods from domestic ports to overseas commissaries or commissary storage facilities,⁵² which is primarily accomplished through commercial shipping contracts.⁵³ State-side, DeCA has outsourced the distribution of goods, requiring vendors to deliver directly to commissaries. These arrangements normally require vendors to stock items on commissary shelves, the cost of which is added to the wholesale cost of goods.⁵⁴ Vendor stocking reduces the workload on government employees, thus reducing operating costs (paid for with appropriated funds).

Commissary purchases are not subject to state or local taxes;⁵⁵ however, by law, commissaries charge patrons a uniform 5 percent surcharge that is reinvested into the stores and supporting systems.⁵⁶ In FY 2013, these surcharges generated approximately \$294 million in funding.⁵⁷ Surcharge funding is used to acquire (including acquisition by lease), construct, convert, expand, improve, repair, maintain, and equip the physical infrastructure of commissary stores and central product

⁴³ The Jones Commission, *DoD Study of the Military Commissary System, Volume II, Appendices*, accessed May 26, 2014, <http://www.dtic.mil/dtic/tr/fulltext/u2/a221313.pdf>.

⁴⁴ “History of U.S. Military Commissaries,” Defense Commissary Agency, accessed February 24, 2014, <https://www.commissaries.com/history.cfm>.

⁴⁵ Defense Commissary Agency, *Annual Financial Report, Fiscal Year 2013*, 7, accessed May 24, 2014, <http://www.commissaries.com/documents/whatsnew/afr/afr-2013.pdf>.

⁴⁶ *Ibid.*, 47.

⁴⁷ Armed Services Commissary Operations, DoDI 1330.17, Enclosure 7 (2008).

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

⁵⁰ Defense Commissary Agency, *DeCA Working Capital Fund, FY 2000/2001 Biennial Budget Estimates – Operating Budget, February 1999* accessed May 26, 2014, <https://www.fas.org/man/docs/fy00/osd/cap/decafy00pb.pdf>.

⁵¹ Information provided by DeCA, e-mail to MCRMC, May 6, 2014.

⁵² Transportation of Subsistence, Equipment, and Supplies Manual, DeCA Manual 40-11.1, Section 4.2.d (2010).

⁵³ Information provided by United States Transportation Command, e-mail to MCRMC, February 13, 2014.

⁵⁴ Cost Recoup Policy and Procedure, DeCA Policy Letter 40-70 (1999).

⁵⁵ “Using the Commissary Benefit to Save Money,” Military OneSource, accessed March 8, 2014, http://www.militaryonesource.mil/shopping/using-the-commissary-benefit-to-save-money?content_id=266854.

⁵⁶ Armed Forces, 10 U.S.C. § 2484.

⁵⁷ Data provided by Defense Commissary Agency, e-mail to MCRMC, June 4, 2014.

processing facilities of the defense commissary system.⁵⁸ The surcharge also funds the costs of real property, utilities, and equipment (installed and free-standing, including computer equipment), necessary to provide a complete and usable commissary store or central product processing facility.⁵⁹ Once constructed, using nonappropriated funds (patron funded surcharge money), commissaries become assets of the U.S. Government. Surcharge revenues are managed under the Commissary Trust Revolving Funds, as are funds received from the sale of recyclable materials, the sale of excess and surplus property, license fees, royalties, business-related management fees, amounts received for commercially valuable information, charges received for the collection of dishonored checks, discounts earned, restitution ordered for the theft or damage of commissary goods, and from such other sources as may be authorized by law.⁶⁰ In FY 2013, the total contribution to the Commissary Trust Revolving Funds from all sources was \$303 million.⁶¹ Although surcharge funding can pay for construction of new commissaries that are replacing existing ones, initial construction of commissaries is typically funded through military construction (MILCON) appropriations.⁶²

DeCA purchases stock (groceries and other goods) using the DeCA Working Capital Fund (DWCF) and the revenue collected from patrons replenishes this fund. In addition to direct payments from patrons (i.e., cash, personal checks, credit or debit cards, traveler's checks, gift certificates), the total revenue in FY 2013 (\$5.9 billion) includes indirect payments based on manufacturer coupons (\$91 million) and vouchers from the SNAP (\$104 million) and WIC (\$29 million) programs.⁶³

5.1.2. DEPENDENT ELEMENTARY AND SECONDARY EDUCATION

The Department of Defense Education Activity (DoDEA) manages school systems and other services that provide primary and secondary education to children of military service families living on military installations worldwide.⁶⁴ The authority for the Secretary of Defense to manage overseas and domestic school systems is provided in 20 U.S.C. § 921 and 10 U.S.C. § 2164. The Department of Defense Dependents Schools (DoDDS) operates in Europe and the Pacific⁶⁵ and Domestic Dependents Elementary and Secondary Schools (DDESS) serve the United States and its territories.⁶⁶ In FY 2013, DoDEA operated more than 190 schools (including 1 virtual school)⁶⁷ in 7 U.S. States, Guam, Puerto Rico, and 12 foreign countries,⁶⁸ enrolling

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ Armed Services Commissary Operations, DoDI 1330.17 (2008).

⁶¹ Defense Commissary Agency, DeCA Annual Financial Report, 2013, 67, accessed June 4, 2014, <http://www.commissaries.com/documents/whatsnew/afr/afr-2013.pdf>.

⁶² Facilities Sustainment and Construction Program, DeCAD 20-9, administratively reissued in October, 2002, section 3-1.c (2012).

⁶³ Information provided by DeCA, e-mail to MCRMC, April 29, 2014.

⁶⁴ "About DoDEA," Department of Defense Education Activity, accessed March 17, 2014, <http://dodea.edu/aboutDoDEA/demographics.cfm>.

⁶⁵ Department of Defense Education Activity, DoDD 1342.20, para 3 (2007).

⁶⁶ Ibid, para 4.

⁶⁷ Information provided by Department of Defense Education Activity Headquarters, e-mail to MCRMC, May 2, 2014.

⁶⁸ Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 3, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>.

81,863 students.⁶⁹ The FY 2013 cost of DoDEA was \$1.82 billion, which does not include military construction or procurement costs.⁷⁰

DoDEA schools are established on military installations where there are significant numbers of military families but the local education options are not suitable (e.g., foreign countries, remote locations in the United States). All DoDEA schools are accredited through a comprehensive external review.⁷¹

Service members have approximately 1.2 million school-age children. In the United States, approximately 80 percent of those children attend public schools. DoDEA is able to share resources with military-connected public school districts through legislative direction. This support for children helps expand academic, emotional, and social endeavors.⁷²

5.1.2.1. DEPARTMENT OF DEFENSE DEPENDENTS SCHOOLS

The Department of Defense Dependents Schools (DoDDS) provide education to school-age dependents of DoD personnel assigned overseas and provides enrollment on a space-available, tuition-paying basis for other groups identified and prioritized by the Secretary of Defense.⁷³ DoDEA schools overseas include Department of Defense Dependents Schools—Europe (DoDDS-E) and Department of Defense Dependents Schools—Pacific (DoDDS-P). DoDDS operates more than 120⁷⁴ schools for eligible dependents of active-duty military and DoD civilians in 12 foreign countries.⁷⁵ Schools are located in Bahrain, Belgium, Cuba, England (UK), Germany, Italy, Japan, South Korea, The Netherlands, Portugal, Spain, and Turkey.⁷⁶

5.1.2.2. DOMESTIC DEPENDENT ELEMENTARY AND SECONDARY SCHOOLS

The Domestic Dependent Elementary and Secondary Schools (DDESS) are located in the United States and its territories. DDESS operates more than 60 schools located in 7 states and 2 territories (Guam and Puerto Rico), for eligible dependents of active-duty military and DoD civilians who reside on military installations. DDESS

⁶⁹ Information provided by Department of Defense Education Agency Headquarters, e-mail to MCRMC, May 2, 2014.

⁷⁰ Department of Defense Dependents Education, *Fiscal Year 2015 Budget Estimates*, March 2014, DoDDE-368, accessed June 19, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/DoDDE_PB15.pdf.

⁷¹ Department of Defense, *Annual Report to the Congressional Defense Committees on Plans for the Department of Defense for the Support of Military Family Readiness, Fiscal Year 2013*, 12, received from Department of the Army, e-mail to MCRMC, May 22, 2014.

⁷² Ibid, 10. See also John Warner National Defense Authorization Act for FY 2007, Pub. L. No. 109-364 § 574, 120 Stat. 2083, 2227 (2006) (authority transferred to DoDEA).

⁷³ See generally Eligibility Requirements for Education of Elementary and Secondary School-Age Dependents in Overseas Areas, DoDEA 1342.13 (2006), Change 2 (2008).

⁷⁴ Department of Defense Dependents Education, *Fiscal Year 2015 Budget Estimates*, March 2014, DoDDE-382, accessed June 19, 2014, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/DoDDE_PB15.pdf.

⁷⁵ Ibid.

⁷⁶ Department of Defense, *Annual Report to the Congressional Defense Committees on Plans for the Department of Defense for the Support of Military Family Readiness, Fiscal Year 2013*, 12, received from Department of the Army, e-mail to MCRMC, May 22, 2014.

schools in the United States are located in Alabama, Georgia, Kentucky, New York, North Carolina, South Carolina, and Virginia.⁷⁷

5.1.2.3. Non-DoD Schools Program

The Non-DoD Schools Program (NDSP) assists authorized, command-sponsored dependents of military members and DoD civilian employees assigned overseas who are attending non-DoD schools where no DoDEA schools are available within the commuting area. At these locations, DoDEA supports a variety of options for school-age children including home-school programs, public schools, and private schools. Approval must be obtained from the DoDEA NDSP office prior to enrolling a child in a non-DoD school. The program covers the total cost of tuition and related transportation.⁷⁸ NDSP supports approximately 2,974 military-connected children⁷⁹ in more than 140 countries.⁸⁰ The average annual tuition per student, according to the DoDEA FY 2013 Budget Book, is \$17,606 in Europe, \$21,784 in the Pacific, and \$12,218 in the Americas.⁸¹ These schools educate students at locations worldwide in three service regions: Americas Region, Pacific Region, and Europe Region.⁸²

5.1.2.4. SPECIAL ARRANGEMENT CONTRACTS

The Secretary of Defense is authorized to enter into special arrangements to provide for elementary and secondary education for dependents of members of the Military Services and civilian Federal employees who reside in permanent quarters on military installations in the United States.⁸³ These Special Arrangement Contracts (SACs) typically result in Federal funding being paid to the local public education agency to either partially or fully cover the cost of the educational services provided.⁸⁴ The Secretary of Defense also has the authority to allow participation of dependents who reside off of the military installation.⁸⁵

SACs currently exist in Dover, Delaware; Hanscom, Massachusetts; West Point, New York; and Puerto Rico.⁸⁶ Justifications for the special arrangements vary from location to location.

The SACs began with schools at Dover Air Force Base in 1957, which at the time was considered a remote location. The SAC between DDESS and the Caesar Rodney School district provides education services for eligible dependents, in grades K-12, residing on Dover Air Force Base. The school district operates the on-installation schools (one elementary and one middle school), and educates high school students at a local community school. This contract costs approximately \$7.5 million per year and

⁷⁷ Ibid. See also Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 15, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>.

⁷⁸ Use of Non-DoD Schools, Department of Defense Education Activity Regulation 1035.1, Change 3 (2003).

⁷⁹ Information provided by Department of Defense Education Activity Headquarters, e-mail to MCRMC, May 2, 2014.

⁸⁰ Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 17-18, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>.

⁸¹ Ibid, 15.

⁸² Ibid, 17-18.

⁸³ Armed Forces, 10 U.S.C. § 2164.

⁸⁴ Eligibility Requirements for Minor Dependents to Attend Department of Defense Domestic Dependent Elementary and Secondary Schools, DoDI 1342.26, Enclosure E (1997).

⁸⁵ Armed Forces, 10 U.S.C. § 2164.

⁸⁶ "Special Arrangements," Defense Department of Education Activity, accessed October 25, 2013, <http://www.dodea.edu/CEOA/arrangements.cfm>.

persists partially because Delaware state law prohibits the use of state funds for educating students who reside in military housing.⁸⁷

Similar arrangements exist for military dependents residing on Hanscom Air Force Base in Massachusetts. DoDEA contracts with Lincoln Public Schools to provide pre-K through grade 8 education services for the dependents of military personnel and DoD civilian employees residing on the installation. This education occurs in DoD-owned and maintained elementary and middle schools. The SAC covers only education services, at a cost of \$11.3 million per year. High school students attend a local community school (Bedford High School).⁸⁸ The Town of Bedford has been educating the high school students who live on Hanscom Air Force Base since the 1950s, when the Bedford schools were constructed with Federal Impact Aid pursuant to the Federal School Construction Assistance Program⁸⁹ with an assurance to the Federal Government that these facilities would be available to military dependents; however, this assurance did not include transportation. DDESS contracts the transportation of high school students between the installation and the community school for approximately \$202,000 per year.⁹⁰

On the West Point Military Reservation in New York, DDESS operates an elementary school and middle school. The number of students in grades 9–12 did not justify the opening of a high school on the installation, therefore, a SAC was established in 1985 with the Local Educational Agency (LEA) to educate these students. The \$4.6 million per year contract covers both educational services and transportation.⁹¹

A similar contract is in place for a small number of dependent students in Puerto Rico.

Table 4 provides a summary of SAC students by location, enrollment, cost per student, and the total cost for FY 2013 school year.

Table 4. Summary of Special Arrangement Contract Students⁹²

| Installation/State/Territory | Enrollment | Average Cost Per Student | Total Cost of Education and Transportation |
|------------------------------|------------|--------------------------|--|
| Dover, Delaware | 497 | \$16,002 | \$8.0M |
| Hanscom, Massachusetts | 719 | \$15,940 | \$11.5M |
| West Point, New York | 188 | \$24,330 | \$4.6M |
| Puerto Rico | 63 | \$13,714 | \$.9M |

⁸⁷ Department of Defense Education Activity, *DoDEA Facts, DDESS Special Arrangements*, accessed April 7, 2014, <http://www.dodea.edu/CEOA/upload/Special-Arrangements.pdf>.

⁸⁸ Ibid.

⁸⁹ Ibid. Federal School Construction Assistance Program of Pub. L. No. 81-815, 64 Stat. 967 (1950) (codified as amended at Education, 20 U.S.C. §§ 631 *et seq.*, *repealed by* Pub. L. No. 103-382, title III, § 331(a), 108 Stat. 3965 (1994)).

⁹⁰ Department of Defense Education Activity, *DoDEA Facts, DDESS Special Arrangements*, accessed April 7, 2014, <http://www.dodea.edu/CEOA/upload/Special-Arrangements.pdf>.

⁹¹ Ibid.

⁹² Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 19, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>

5.1.2.5. PARTNERSHIP BRANCH (MILITARY K-12 PARTNERS)

The DoDEA Educational Partnership Branch works with LEAs to increase their understanding of, and improve their support for, the unique needs of military children.⁹³ The average child in a military family moves 6 to 9 times in a school career.⁹⁴ They are also more likely than civilian families to move long distances, across state lines, or to foreign countries.⁹⁵ DODEA's Educational Partnership Branch works with the Department of Education (ED) in efforts to ease the transition of military children, providing expertise and resources to LEAs that educate these students. The branch maintains a collection of resource materials on the DoDEA website, manages the competitive grants program, and administers the DoD Supplement to Impact Aid.⁹⁶

5.1.2.5.1. Competitive Grants Program

The Secretary of Defense provides defense-wide operations and maintenance funds to provide resources to eligible LEAs that educate military-affiliated students.⁹⁷ DoDEA provides grants to support the expansion of educational opportunities for children from military families. Since 2008, DoDEA has awarded nearly \$200 million in grants to more than 180 military-connected public school districts for academic and support programs through a competitive grant program.⁹⁸ These three-year projects affect nearly 280,000 military-connected students and more than 670,000 students overall, in 900 schools.⁹⁹

5.1.2.5.2. DoD Supplement to Impact Aid

The DoD Supplement to Impact Aid is paid to school districts heavily impacted by a military presence.¹⁰⁰ It is paid in addition to the ED Federal Impact Aid Program payment, and is based on data provided by ED to DoD. There are three types of DoD Supplement funding: funding for "heavily impacted" LEAs, funding for Children with Severe Disabilities,¹⁰¹ and funding for Large-Scale Rebasing (also known as Base Realignment and Closure, or BRAC). The Congress annually designates the amount to be paid by DoD in the National Defense Authorization Act (NDAA) legislation.

The DoD Supplement funding is divided among the most "heavily impacted" LEAs where military children make up at least 20 percent of the enrollment.¹⁰² Although this funding is not required to be spent specifically on military children, it helps to improve the overall quality of the impacted schools. In FY 2013, \$36.6 million in DoD

⁹³ "The DoDEA Educational Partnership Program," Department of Defense Education Activity, April 7, 2014, <http://www.dodk12grants.org/about.aspx>.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Education, 20 U.S.C. § 7703b.

⁹⁸ Competitive Grants Program data provided by Department of Defense Education Activity Partnership Directorate, e-mail to MCRMC, December 13, 2013. "The DoDEA Educational Partnership Program," Department of Defense Education Activity, accessed April 7, 2014, <http://www.dodk12grants.org/about.aspx>.

⁹⁹ "The DoDEA Grant Program," Department of Defense Education Activity, accessed March 18, 2014, <http://www.militaryk12partners.dodea.edu/grants.cfm>.

¹⁰⁰ Education, 20 U.S.C. § 7703.

¹⁰¹ Education, 20 U.S.C. § 7703a.

¹⁰² Education, 20 U.S.C. § 7703b.

Supplement funding was distributed by DoD to 128 LEAs in 33 States, educating approximately 306,000 military-connected students.¹⁰³

Funding for Children with Severe Disabilities reimburses LEAs for money previously spent on military dependent children with severe disabilities through an application process.¹⁰⁴ In FY 2013, \$4.6 million was provided to support the education of military-affiliated children with severe disabilities to 49 LEAs in 21 states.¹⁰⁵

When the Congress specifically appropriates funds for this purpose, the DoD Impact Aid for Large-Scale Rebased Program provides financial assistance to LEAs that are heavily impacted by the increase or reduction in enrollment resulting from a significant change in military-affiliated students.¹⁰⁶ To be eligible, the number of military dependent students must increase or decrease, as a result of the rebasing, by at least 20 percent (with a minimum of 250 students).¹⁰⁷ This category has not been funded since FY 2007.¹⁰⁸

Beneficiaries

DoDDS (Overseas Schools)

Qualified dependents may enroll in one of four enrollment categories.¹⁰⁹ Detailed eligibility requirements are found in DoDEA Regulation 1342.13. A high-level summary of the enrollment categories is provided below:

Category 1: Space-Required/Space-Guaranteed

This category has three sub-categories of students who are eligible to attend DoDDS:

- **Space-Required, Tuition-Free**

Command-sponsored dependents of active-duty personnel and certain full-time DoD civilian employees.¹¹⁰ Special considerations are made for dependents of sponsors who are detained by a foreign power, declared missing in action, or transferred before the completion of the school year.¹¹¹ If it is determined that no DoDDS school is available within the commuting area, command-sponsored DoD dependent students are eligible for education in other schools at U.S. Government expense. This is usually in that same foreign country, or in private boarding schools, or through correspondence courses.¹¹²

¹⁰³ DoD Supplement to Impact Aid, provided by Department of Defense Education Activity Partnership Directorate, e-mail to MCRMC, December 13, 2013.

¹⁰⁴ "Impact Aid for Children with Severe Disabilities Program," Department of Defense Education Activity, accessed April 14, 2014, <http://www.militaryk12partners.dodea.edu/impact.cfm?collId=disabilities>.

¹⁰⁵ DoD Supplement to Impact Aid data provided by Department of Defense Education Activity Partnership Directorate, e-mail to MCRMC, December 13, 2013.

¹⁰⁶ "DoD Impact Aid for Large Scale Rebased (BRAC)," Military K-12 Partners, accessed April 10, 2014, <http://www.militaryk12partners.dodea.edu/impact.cfm?collId=brac>.

¹⁰⁷ Eligibility Requirements of Education of Elementary and Secondary School-age Dependents in Overseas Areas, Department of Defense Education Activity Regulation 1342.13 (2006), Change 2 (2008). See also "DoDDS," Department of Defense Education Activity, accessed April 10, 2014, <http://dodea.edu/aboutDoDEA/DoDDS.cfm>.

¹⁰⁸ DoD supplement to Impact Aid, provided by DODEA partnership directorate, e-mail to MCRMC, December 13, 2013.

¹⁰⁹ Eligibility Requirements of Education of Elementary and Secondary School-age Dependents in Overseas Areas, Department of Defense Education Activity Regulation 1342.13 (2006), Change 2, 2 (2008).

¹¹⁰ Ibid, 2-3.

¹¹¹ Ibid.

¹¹² Ibid, 2.

- **Space-Required, Tuition-Paying**

Minor dependents of DoD sponsors who are assigned to a Military Assistance or Foreign Military Sales Program. Tuition is paid by the program, not the student's sponsor.¹¹³

- **Space-Created, Tuition-Paying**

"Minor dependents of U.S. citizens who are full-time defense contractor personnel whose organization has executed contracts or other agreements with the DoD when the applicable contract or agreement authorizes dependent education on a tuition fee basis in the DoD dependents schools shall be enrolled on a space guaranteed, tuition-paying basis."¹¹⁴

Category 2: Space-Available, Tuition-Paying (Federally-Connected)

If it is determined that space is available, various categories of students may attend DoDDS if they pay tuition. The tuition "may not be less than the rate necessary to cover the average cost of enrollment of children in the DoD dependents schools."¹¹⁵ These categories include noncommand sponsored dependents of Service members, as well as minor dependents of:

- other full-time U.S. Government Agency employees stationed overseas
- U.S. citizens who are full-time employees of organizations overseas that serve defense-related interests (meeting certain requirements)
- host-nation or third-country national military or civilian personnel accompanying or serving with the Military Services overseas
- other sponsors serving the national defense interest¹¹⁶

Category 3: Space-Available, Tuition-Free

Like Category 2, attendance under this category is only offered if it is determined that space is available. Category 3 includes students who are noncommand sponsored. It also provides special consideration for dependents of sponsors who die, are detained by a foreign power, declared missing in action, activated reservists, and certain diplomats.¹¹⁷

Category 4: Space-Available, Tuition-Paying (Non-Federally-Connected)

This category includes dependents of U.S. citizens residing in overseas areas, including dependents of retired personnel, or of deceased personnel (where not otherwise addressed), and foreign nationals, when there is no objection from the host nation and when such inclusion does not displace or prevent inclusion of U.S. citizen-sponsored minor dependents seeking admission on the same basis at the same time.¹¹⁸

¹¹³ Ibid, 3.

¹¹⁴ Ibid, 2-3. See also "About DoDEA," Department of Defense Education Activity, accessed April 10, 2014, <http://www.DoDEA.edu/AboutDoDEA/DoDDS.cfm>.

¹¹⁵ Ibid, 4.

¹¹⁶ Ibid.

¹¹⁷ Ibid, 2-4.

¹¹⁸ Eligibility Requirements of Education of Elementary and Secondary School-age Dependents in Overseas Areas, Department of Defense Education Activity Regulation 1342.13 (2006), Change 2, 5 (2008).

DDESS (Domestic Schools)

For DDESS locations in the continental United States (CONUS), dependent children of military members and civilian employees of DoD occupying permanent living quarters on a military installation served by a DDESS school program are eligible to attend.¹¹⁹

Within U.S. territories, possessions and commonwealths, dependent children of the following groups are eligible:

- military and DoD civilian employees living on the installation
- military members on active duty, stationed or home-ported in the territory, possession, or commonwealth and not residing in permanent quarters
- military members on active duty who have been assigned to a remote location or unaccompanied tour of duty and their dependents have been authorized by designated location move orders to reside in the territory, possession, or commonwealth
- full-time DoD civilian employees, occupying a position that is subject by policy and practice to transfer to a territory, possession, or commonwealth and not residing in government quarters
- full-time, permanent, professional excepted service employees of DDESS arrangements not residing in permanent quarters on a military installation¹²⁰

DDESS Tuition-Paying

Also eligible are dependent children of full-time civilian employees of non-DoD Federal agencies (regardless of whether they reside in government quarters), if the employing agency certifies they occupy a position that is subject by policy and practice to transfer to a territory, possession, or commonwealth, and the employing agency agrees to reimburse the DoD for the educational services provided. DDESS schools are not authorized to accept tuition payments from individuals.¹²¹

Historical Context

Since the days of Army frontier posts, U.S. military installations have established schools where public education was unavailable. These schools were managed by each of the military Services, but funding was sometimes inconsistent and unreliable. Over time, the Services improved the standardization and oversight of these schools, and in the United States (and U.S. territories) they eventually became known as “Department of Defense Domestic Dependents Elementary and Secondary Schools (DDESS).” Shortly after the end of World War II, the U.S. military established similar schools for the children of its Service members stationed in Europe and the Pacific. Often referred to as “American Dependent Schools,” these overseas schools were eventually designated as “Department of Defense Dependents Schools (DoDDS).”¹²²

In 1950, Federal legislation consolidated the funding and operation of installation-run schools in the United States under the authority of Section 6 of Pub. L. No. 81-874. This legislation enabled the Secretary of Education (then the Commissioner of

¹¹⁹ Eligibility Requirements for Minor Dependents to Attend Department of Defense Domestic Dependent Elementary and Secondary Schools, DoDI 1342.26, 2 (1997).

¹²⁰ Ibid, 3.

¹²¹ “Eligibility to Attend DDESS Schools,” Department of Defense Education Activity, accessed April 11, 2014, <http://www.dodea.edu/Americas/aboutAm/amEligibility.cfm>.

¹²² “About DoDEA,” Department of Defense Education Activity, accessed February 26, 2014, <http://www.dodea.edu/aboutDoDEA/today.cfm>.

Education) to operate and maintain what became known as Section 6 schools. Section 6 schools continued to educate military children residing on Federal property if either:

State laws prohibited tax revenues of the state, or any political subdivision of the state, to be expended for the free public education of children residing on Federal property, or education systems within the local communities were judged unable to provide a suitable free public education for the children residing on Federal property.

The system of Section 6 schools expanded and contracted over the years. Following the consolidation effort in 1950, many schools were added to the system as a result of the racial integration of the military. These schools allowed military children to attend integrated schools where local, civilian schools remained segregated. Since that time, the trend has been to transfer Section 6 schools to LEAs largely as a result of:

- population and infrastructure growth near military installations
- integration of public schools
- pressure from the U.S. Department of Education on States and localities to accept responsibility for the education of military dependents¹²³

At one point there were approximately 100 installations with Section 6 schools; however, by the early 1970s most of these schools had been transferred. The last transfer of a Section 6 school occurred in 1973, and three other Section 6 school systems have closed since then as a result of installation closures.¹²⁴

Of note are the military schools on the Marine Corps base at Quantico, Virginia. Strong opposition to the transfer of these schools to the LEA resulted in an amendment to Section 6 commonly referred to as the “Quantico Amendment.” This amendment required the approval of both the Secretary of Education and the Secretary of the relevant military Service prior to transfer, which resulted in the transfer of the Quantico schools being blocked.¹²⁵

In 1981, Pub. L. No. 97-35 transferred responsibility for the Section 6 schools from the Secretary of Education to the Secretary of Defense. Budget authority for operation and maintenance of these schools was granted to DoD in 1982, and responsibility of the DoD school system was centralized in the Office of the Deputy Assistant Secretary for Personnel Support, Families, and Education in 1990. In 1994, Pub. L. No. 103-337 replaced Section 6 legislation and renamed the domestic school system the “Department of Defense Domestic Dependent Elementary and Secondary Schools (DDESS).”

In 1994, DoDDS, managing overseas schools, and DDESS, managing domestic schools, were brought together under an umbrella agency: the Department of Defense Education Activity (DoDEA).¹²⁶

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid.

Financial Summary

The DoDEA budget is funded by Operation and Maintenance (Defense-Wide), Military Construction (Defense-Wide), and Procurement appropriations.¹²⁷ Of the \$1.82 billion in operations and maintenance cost, approximately 67 percent was attributable to personnel pay and benefits.¹²⁸ Table 5 summarizes FY 2013 funding for DoDEA.

Table 5. Summary of FY 2013 DoDEA Funding¹²⁹

| | Operations and Maintenance (\$K) |
|---|----------------------------------|
| Headquarters (HQ)/Consolidated School Support (CSS)/Educational Partnership Program (EPP) | \$160.859 |
| Europe | \$750,658 |
| Pacific | \$399,251 |
| Cuba | \$6,957 |
| DDESS | \$507,158 |
| Total (appropriated funding) | \$1,824,883 |

Note: Individual costs may not sum to Totals and Subtotals due to rounding

The DoDEA system is supported by the Headquarters (HQ) and the Consolidated School Support (CSS) organizations. The HQ focuses on establishing policies and practices; identifying, securing, and providing resources; establishing standards; implementing accountability measures; and providing technical assistance. The CSS focuses on human resources, procurement, finances, logistics, and information technology.¹³⁰

5.1.3. EDUCATION ASSISTANCE

Education Assistance benefits are provided to uniformed Service members by multiple agencies including DoD, the Department of Homeland Security (DHS), VA, ED, and the Department of Justice (DOJ).

DoD programs include:

- Tuition Assistance
- Voluntary Education Support
 - Joint Services Transcript
 - Servicemembers Opportunity Colleges Degree Network System
 - Examinations Program
- College Loan Repayment Program

These benefits are described in the Cross-Agency Benefits section of this report—Section 5.8.1 Education Assistance.

¹²⁷ Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 3, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>.

¹²⁸ Ibid, 8.

¹²⁹ Department of Defense Education Activity, *Budget Book Fiscal Year 2013*, 8, accessed June 1, 2014, <http://www.dodea.edu/newsroom/publications/loader.cfm?csModule=security/getfile&pageid=363239>.

¹³⁰ Ibid, 20.

5.1.4. EXCHANGES

Multiple agencies provide exchange benefits for uniformed Service members.

The Military Services operate multiple exchange systems: Army and Air Force Exchange Service (AAFES) operates exchanges on Army and Air Force installations.¹³¹ AAFES is the largest of the exchange organizations. The Navy Exchange Service Command (NEXCOM) operates exchanges on Navy bases.¹³² The Marine Corps Community Services (MCCS) runs exchanges on Marine Corps installations. MCCS also operates the rest of Marine Morale, Welfare, and Recreation (MWR) operations.¹³³ Similarly, the Coast Guard Exchange Service (CGES), which operates exchanges on Coast Guard installations, is part of the Coast Guard Community Services Command (CSC).¹³⁴ The VA operates a separate retail system known as the Veteran Canteen Service (VCS).¹³⁵

This benefit is described in the Cross-Agency Benefits section of this report—Section 5.8.2 Exchanges.

5.1.5. FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE

Family Subsistence Supplemental Allowance (FSSA) benefits are provided to members of the Military Services by multiple agencies, including DoD and DHS, and are described in the Cross-Agency Benefits section of this report—Section 5.8.3 Family Subsistence Supplemental Allowance.

5.1.6. HOMEOWNER ASSISTANCE PROGRAM

The Homeowner Assistance Program (HAP) provides financial assistance to eligible individuals who suffer financial loss associated with the sale or foreclosure of their primary residence.¹³⁶ Members of the Military Services and certain DoD civilian employees who fall into at least one of the following categories may receive this assistance:

- individuals determined to be impacted by BRAC
- wounded, injured or ill individuals and their spouses
- those reassigned during the specified mortgage crisis period¹³⁷

Using the authority granted in Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 (codified at 42 U.S.C. § 3374), the Secretary of Defense established HAP. The American Recovery and Reinvestment Act of 2009

¹³¹ Army and Air Force Exchange Service Operations, AR 215-8 and AFI 34-211(I) (2012).

¹³² Responsibility and Authority for Navy Exchange Operations, OPNAVINST 5450.331A, ¶ 5(a) (2008).

¹³³ MCCS Policy Manual, MCO P1700.27B, ¶ 1001 (2007).

¹³⁴ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, Chapter 1, ¶ L (2010).

¹³⁵ *See generally* Veterans' Benefits, 38 U.S.C. §§ 7801-7810.

¹³⁶ *See generally* Homeowner Assistance Program, DoDD 4165.50E (2014). *See also* The Public Health and Welfare, 42 U.S.C. § 3374 (originally enacted in Section 1013, Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. No. 89-754, § 1013, 80 Stat. 1255, 1290-1292 (1966)).

¹³⁷ The Public Health and Welfare, 42 U.S.C. § 3374 (originally enacted in Section 1013, Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. No. 89-754, § 1013, 80 Stat. 1255, 1290-1292 (1966)).

temporarily expanded this underlying authority to allow for, among other things, assistance to Service members undergoing Permanent Change of Station (PCS) moves who bought their homes prior to July 1, 2006 and attempted to sell during the mortgage crisis, between July 1, 2006 and September 30, 2012.¹³⁸ Support for Service members undergoing PCS moves expired on September 30, 2012.¹³⁹ At this time, given there are no active authorizations for BRAC, HAP applications are only being accepted from wounded, injured or ill, and surviving spouse applicants.¹⁴⁰

Under HAP, the government may assist wounded, injured, or ill homeowners (including surviving spouses) by either compensating them for financial losses associated with the sale (or foreclosure) of their home, or by actually purchasing their home. As found in 42 U.S.C. § 3374(a)(2), “Notwithstanding any other provision of law, the Secretary of Defense is authorized to acquire title to, hold, manage, and dispose of, or, in lieu thereof, to reimburse for certain losses upon private sale of, or foreclosure against, any property improved with a one- or two-family dwelling which was at the time of the relevant wound, injury, or illness, the primary residence.”¹⁴¹ The amount of reimbursement or purchase payment is limited to a percentage of the fair market value of the home.¹⁴² When effective, similar options are also available to homeowners affected by BRAC. For those affected by BRAC, the fair market value of the home prior to the announcement of installation closure is taken into consideration.¹⁴³

Beneficiaries

The groups listed below are eligible to apply for HAP. To receive the benefit, they must be approved through an application process.¹⁴⁴

- individuals determined to be impacted by BRAC. Federal employees employed at or in connection with such bases or installations (other than a temporary employee serving under a time limitation), a nonappropriated fund instrumentality employee employed at a nonappropriated fund instrumentality operated in connection with such bases or installations, or a Service member
- wounded, injured or ill Service members, DoD and U.S. Coast Guard civilian employees, and their spouses
- Service members permanently reassigned during specified mortgage crisis (no longer available).¹⁴⁵

Historical Context

HAP was created pursuant to authority found in 42 U.S.C. § 3374. This statutory authority, as well as the program elements of HAP, were temporarily expanded by The American Recovery and Reinvestment Act of 2009 to include Service members who were permanently reassigned during the specified mortgage crisis period. HAP assistance was also extended as needed to cover those impacted by BRAC actions, the most recent being the 2005 round of defense base closures and realignments under

¹³⁸ The Public Health and Welfare, 42 U.S.C. § 3374, as amended by the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, § 1001, 123 Stat. 115, 194-198 (2009).

¹³⁹ See American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, § 1001, 123 Stat. 115, 194-198 (2009).

¹⁴⁰ “Homeowner Assistance Program,” Department of Defense, accessed April 2, 2014, <http://hap.usace.army.mil/>.

¹⁴¹ The Public Health and Welfare, 42 U.S.C. § 3374 (originally enacted in Section 1013, Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. No. 89-754, § 1013, 80 Stat. 1255, 1290-1292 (1966)).

¹⁴² The Public Health and Welfare, 42 U.S.C. § 3374(c).

¹⁴³ The Public Health and Welfare, 42 U.S.C. § 3374(c)(1)(A).

¹⁴⁴ Homeowners Assistance Program, DoDD 4165.50E, 5 (2014).

¹⁴⁵ The Public Health and Welfare, 42 U.S.C. § 3374.

the Defense Base Closure and Realignment Act of 1990 (part XXIX of Pub. L. No. 101-510; 10 U.S.C. § 2687).¹⁴⁶

Financial Summary

In FY 2013, although no funding was appropriated for HAP, \$53 million was expended.¹⁴⁷ This expenditure was funded from the Homeowners Assistance Fund, Defense (HOA), a nonexpiring revolving fund.¹⁴⁸ The fund receives funding from several sources: appropriations, borrowing authority, reimbursable authority, prior fiscal year unobligated balances, appropriation transfers, revenue from sale of acquired properties, and recovery of prior-year obligations.¹⁴⁹ As explained in the Department of Army FY 2015 Budget Estimates,

*The fund is not a profit-making endeavor. Although the proceeds from the sale of homes are returned to the fund, this revenue does not always replenish it nor totally fund projected requirements. Since the Homeowners Assistance Fund is not self-sustaining, periodic appropriations are required to maintain its solvency as a revolving fund. In the past, Congress has authorized the transfer of funds from the BRAC account to the Homeowners Assistance Fund when BRAC programs cause HAP activity.*¹⁵⁰

The balance carried forward in the HOA from FY 2013 was \$320 million.¹⁵¹

5.1.7. MILITARY HOUSING

Military housing provides long-term living accommodations for Service members and their families. The two categories of military housing are Military Family Housing and Unaccompanied Housing (UH), also known as Unaccompanied Personnel Housing (UPH). Military Family Housing may be provided through military housing (owned and constructed by DoD), privatized military housing, or leased housing,¹⁵² and may take the form of single or multi-family (e.g., duplex, townhouse) structures. UH is primarily provided to junior enlisted members.

*The current permanent party UH inventory includes a variety of configurations that provide a range of privacy, area, and amenities that span from UH built in the 1950s with 4-person rooms with central latrines, to private sector type ‘market-style’ apartments with private bedrooms, bathrooms shared by no more than two people, full kitchens, living/dining rooms, and clothes washers and dryers.*¹⁵³

¹⁴⁶ The American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 194 (2009).

¹⁴⁷ Department of the Army, *Department of the Army Fiscal Year (FY) 2015 President’s Budget Submission, Military Construction, Family Housing & Homeowners Assistance Fund, Defense, March 2014*, 4, accessed June 1, 2014, <http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/milcon/mca-afh-hoa.pdf>.

¹⁴⁸ *Ibid.*, 2.

¹⁴⁹ *Ibid.*, 2.

¹⁵⁰ *Ibid.*, 2.

¹⁵¹ *Ibid.*, 4.

¹⁵² DoD Housing Management, DoD Manual 4165.63, 10 (2010).

¹⁵³ Department of Defense, *Report to Congress on Government-Owned Unaccompanied Housing, February 2013*, 5, accessed June 1, 2014, <http://www.acq.osd.mil/ie/fim/library/HAP%20files/2013%20-%20Report%20to%20Congress%20on%20Govt-Owned%20Unaccompanied%20Housing.pdf>.

Each Military Service and installation separately manages its inventory of family housing and UH units within DoD guidelines.¹⁵⁴ The Services establish “criteria to determine which Service members are required to live in military housing and which are authorized to receive a housing allowance and may choose where to live.”¹⁵⁵ These criteria may be based on factors such as rank, number of dependents, job function or criticality, militarization and/or mentoring, team building, operational and/or mission requirements, location (if outside the United States), availability of Government-controlled housing, and quality of life.¹⁵⁶ Those required to live in government housing can also include essential civilian employees, with dependents, who must reside on the installation for reasons of military necessity.¹⁵⁷

To determine whether a local community can adequately accommodate the housing needs of the military at an installation, the Services perform a housing requirements and market analysis (HRMA).

*HRMA is a structured analytical process that assesses both the suitability and availability of the private sector’s rental market, assuming specific standards related to affordability, location, features, and physical condition, and the housing requirements of the installation’s total military population. HRMA is required at any base worldwide where Service members have the opportunity to live in the private off-base rental market, and when there is no antiterrorism or force protection restriction barring Service members from participating in that market.*¹⁵⁸

Also considered in this analysis is the on-installation military community presence needed to effectively accomplish installation missions.¹⁵⁹

DoD Instruction 4165.63, “DoD Housing,” states that it is DoD policy:

- to ensure that eligible personnel and their families have access to affordable, quality housing facilities and services consistent with grade and dependent status and generally reflecting contemporary community living standards
- to rely on the private sector as the primary source for housing accompanied and unaccompanied personnel normally eligible to draw a housing allowance
- to use a consistent DoD-wide analytical methodology for calculating the need to provide housing
- that the Commander of an installation shall be responsible for the military housing programs with broad authority to decide the best use of resources to provide access to housing for eligible personnel and their families¹⁶⁰

Consistent with DoD policy, the private sector is the primary source of housing for uniformed Service members. This includes commercially available housing (both purchased and rented) and privatized military housing. As of FY 2012, with a

¹⁵⁴ DoD Housing Management, DoD Manual 4165.63-M, 8 (2010).

¹⁵⁵ Ibid.

¹⁵⁶ Department of Defense, *Report to Congress on Government-Owned Unaccompanied Housing, February 2013*, 9, accessed June 1, 2014, <http://www.acq.osd.mil/ie/fim/library/HAP%20files/2013%20-%20Report%20to%20Congress%20on%20Govt-Owned%20Unaccompanied%20Housing.pdf>.

¹⁵⁷ DoD Housing Management, DoD Manual 4165.63, 11 (2010).

¹⁵⁸ Ibid, 10.

¹⁵⁹ Ibid, 10.

¹⁶⁰ DoD Housing, DoDI 4165.63, 1-2 (2008).

population of 1.4 million active-duty Service members, DoD provided long-term accommodations (government quarters) to approximately 22 percent.¹⁶¹ This included 39,600 military owned family houses, 8,688 government leased houses, and 256,523 unaccompanied housing beds.¹⁶² Privatized military housing, through the Military Housing Privatization Initiative (MHPI),¹⁶³ provided approximately 171,101 additional houses.¹⁶⁴

The Coast Guard also provides UH and family housing to a portion of their members.¹⁶⁵ Additional details on Coast Guard housing can be found in Section 5.2.5 Military Housing. USPHS and NOAA do not maintain government housing units for their uniformed personnel, but rely, when necessary, on those provided by the Military Services.¹⁶⁶

5.1.7.1. MILITARY FAMILY HOUSING

As an alternative to commercial housing options, the Military Departments either construct and operate government housing, or lease housing for use by Service members.¹⁶⁷ The number of DoD-owned houses in the United States has reduced dramatically as a result of the MHPI.¹⁶⁸ Areas where government housing persists in the United States typically have small numbers of military homes, making privatization less practical. The Army, for example, still owns approximately 2,800 housing units in CONUS¹⁶⁹ (as compared to 117,000 in 1993¹⁷⁰). A small portion of these have been designated as historic homes, which can introduce additional challenges for privatization.¹⁷¹ MHPI authorities do not apply to overseas housing.

Except for reasons such as security or essential support of an installation mission, uniformed Service members and their families are typically not required to live in military family housing. According to a study by the National Defense Research Institute (NDRI), Service members primarily choose to live in military housing for economic reasons.¹⁷² Military Service members generally consider military accommodations as superior to those available in the local community for the amount paid in basic allowance for housing (BAH),¹⁷³ particularly for junior personnel. Service

¹⁶¹ Data provided by ODUSD(I&E)FIM following a March 2014 data call to the Military Departments and the Defense Agencies, Deputy Director FIM.

¹⁶² Ibid.

¹⁶³ National Defense Authorization Act for FY 1996, Pub. L. No. 104-106, §§ 2801-2841, 110 Stat. 186, 544 (1996) (codified, as amended, at Armed Forces, 10 U.S.C. §§ 2871-2885 (2011)).

¹⁶⁴ Department of Defense, Office of the Deputy Under Secretary of Defense (Installations and Environment), *Military Housing and Privatization Initiative Program Evaluation Plan, Executive Report as of March 31, 2012*, 2013.

¹⁶⁵ Coast Guard Housing Manual, COMDTINST M11101.13F (2013).

¹⁶⁶ DoD Housing Management, DoD Manual 4165.63, 19 (2010).

¹⁶⁷ Ibid. See generally Armed Forces, 10 U.S.C. §§ 2821-2838 (2011).

¹⁶⁸ Department of Defense, Office of the Deputy Under Secretary of Defense (Installations and Environment), *Military Housing and Privatization Initiative Program Evaluation Plan, Executive Report as of March 31, 2012*, 2013.

¹⁶⁹ Information provided by Army Installation Services Directorate, e-mail to MCRMC, March 11, 2014.

¹⁷⁰ Matthew C. Godfrey and Paul Sadin with Dawn Vogel, Joshua Pollarine, and Nicolai Kryloff, *Privatizing Military Family Housing, A History of the U.S. Army's Residential Communities Initiative, 1995-2010*, (Washington, DC: GPO, 2012).

¹⁷¹ Department of Defense, *The Cost of Maintaining Historic Military Family Housing*, accessed June 1, 2014, http://www.denix.osd.mil/cr/upload/DODHOUSINGFINAL_1.PDF.

¹⁷² An Evaluation of Housing Options for Military Families, NDRI, MR-1020-OSD, (prepared for the Office of the Secretary of Defense by RAND's National Defense Research Institute), xvi (1999).

¹⁷³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403 (2012).

members living in military housing may also avoid out-of-pocket expenses like deposits. Many military installations have waiting lists for military housing.¹⁷⁴

Since the establishment of MHPI in 1996, DoD has privatized more than 90 percent of its domestic family housing.¹⁷⁵ As summarized on the MHPI website, “The MHPI was designed and developed to attract private sector financing, expertise and innovation to provide necessary housing faster and more efficiently than traditional Military Construction processes would allow. The Office of the Secretary of Defense has delegated to the Military Services the MHPI and they are allowed to enter into agreements with private developers selected in a competitive process to own, maintain and operate family housing via a fifty-year lease.”¹⁷⁶ As of March 31, 2013, MHPI authorities allowed the Services to privatize nearly 196,000 homes, eliminating more than 137,500 inadequate homes and providing almost 18,000-deficit reduction homes.¹⁷⁷ “Deficit reduction homes” refer to the housing deficits resulting from the realignment and relocation of military members and their families due to the BRAC program, global repositioning of forces, the Army’s modularity program and Grow the Force initiatives.¹⁷⁸

Unlike when they live in government-owned or leased housing, Service members continue to receive BAH when living in privatized family housing. The manager or owner of the privatized housing functions like a rental property manager in the civilian community. Service members sign a lease for privatized housing and pay rent directly to the owner. The rental rates reflect local BAH rates and may be reduced to offset utility costs, which in these cases is paid by the Service member. The Military Departments require the owners or managers to meet maintenance and support standards, provide flexible leases that accommodate military assignment and deployment needs, and provide a renter’s insurance package.¹⁷⁹

5.1.7.2. UNACCOMPANIED HOUSING

Unaccompanied Housing (UH) facilities provide long-term accommodations for single or unaccompanied married military personnel.¹⁸⁰ The UH is where most junior enlisted personnel without dependents are required to live during their initial training and first few years of service. While living in UH, a Service member does not receive BAH. These facilities have a variety of names including Unaccompanied Personnel Housing (UPH), Bachelor Housing, Bachelor Enlisted Quarters (BEQ), Bachelor Officer Quarters (BOQ), barracks, dormitories, billeting, and quarters.

Since the mid-1990s, the Military Departments have emphasized the modernization of permanent party unaccompanied housing with a substantial increase in MILCON

¹⁷⁴ An Evaluation of Housing Options for Military Families, NDRI, MR-1020-OSD, (prepared for the Office of the Secretary of Defense by RAND’s National Defense Research Institute), xvi (1999).

¹⁷⁵ Department of Defense, *Military Housing Privatization Initiative Program Evaluation Plan Executive Report*, 22, accessed March, 11, 2014, <http://www.acq.osd.mil/housing/PEP%20Exec%20Report%20-Jun2010.pdf>.

¹⁷⁶ “Welcome,” Office of the Deputy Under Secretary of Defense Installations and Environment, accessed March 12, 2014, <http://www.acq.osd.mil/housing/mhpi.htm>.

¹⁷⁷ Department of Defense, *Military Housing Privatization Initiative Program Evaluation Plan Executive Report*, 12, accessed March, 11, 2014, <http://www.acq.osd.mil/housing/PEP%20Exec%20Report%20-Jun2010.pdf>.

¹⁷⁸ Ibid, 29.

¹⁷⁹ “Military Housing Privatization Initiative,” Military OneSource, accessed March 12, 2014, http://www.militaryonesource.mil/moving?content_id=266863.

¹⁸⁰ DoD Housing Management, DoDI 4165.64-M, 54 (2010).

funding and the introduction of new designs offering more privacy and amenities. From FY 1996 through FY 2012, more than \$21 billion of MILCON funds, and hundreds of millions in operation and maintenance (O&M) funds, were invested in the construction and modernization of UH worldwide.¹⁸¹ As part of the modernization effort, the Military Departments routinely evaluate status and progress of all awarded MHPI projects against current standards, while building new units to the new construction standards.¹⁸² As specified in DoD 4165.63-M, “market-style” units are the new construction standard, reflecting a trend toward private sector type housing, improvements in new university student housing, and minimizing the housing disparity between married and single members in the same pay grade.¹⁸³ Table 6 provides the current minimum standards for privacy.

Table 6. DoD UH Minimum Configuration and Privacy Standards for Assignment – Permanent Party¹⁸⁴

| Pay Grades | Minimum Adequacy Standards for Permanent Party Personnel |
|--|--|
| O-1 and above, WO and above and E-7 to E-9 | <ul style="list-style-type: none"> Private unit with living room, bedroom, kitchen, and bathroom |
| E-5 to E-6 | <ul style="list-style-type: none"> Shared unit with a living room: Private bedroom with 118 net square feet (NSF), bathroom shared with not more than one other, and a kitchen Shared unit without a living room: Private bedroom with 135 NSF, bathroom shared with not more than one other, and a kitchenette |
| E-1 to E-4 | <ul style="list-style-type: none"> Shared unit with a living room: Shared bedroom with not more than one other and with a minimum of 72 NSF for each occupant, bathroom shared with not more than one other, and a kitchen Shared unit without a living room: Private bedroom with 90 NSF, bathroom shared with not more than one other, and a kitchenette |

NOTES:

1. NSF minimums for units can be established by the Military Departments.
2. The minimum standards can be waived on a temporary basis (for no more than 1 year) due to military necessity. However, exceptions for longer periods of time can only be approved by the Secretary of a Military Department. This includes realigning pay grades as warranted by similarity of responsibilities.

Although not as extensive as the privatization of family housing, under the MHPI authorities, the Military Services have initiated multiple privatization pilots for UH. As of 2013, the Army has privatized UH facilities at four locations (Fort Irwin, Fort Bragg, Fort Stewart, and Fort Drum) totaling 1,038 apartments¹⁸⁵ and the Navy has privatized at two locations (San Diego, CA and Hampton Roads, VA) providing 3,112 privatized apartments.¹⁸⁶ The Navy pilot programs focused on accommodations for junior enlisted and granted authority for sailors to receive a higher rate of partial BAH when living in privatized UH. Like privatized family housing, Service members sign a lease and pay rent to the property manager, equal to their special higher rate of partial BAH. The Army pilot programs have focused on unaccompanied officers and senior

¹⁸¹ Department of Defense, *Report to Congress on Government-Owned Unaccompanied Housing, February 2013*, 1, accessed June 1, 2014, <http://www.acq.osd.mil/ie/fim/library/HAP%20files/2013%20-%20Report%20to%20Congress%20on%20Govt-Owned%20Unaccompanied%20Housing.pdf>.

¹⁸² Ibid.

¹⁸³ Ibid.

¹⁸⁴ Ibid., 2.

¹⁸⁵ DUSD(I&E), *Military Housing Privatization Initiative Program Evaluation Plan Executive Report, March 31, 2012*, 15, accessed June 1, 2015, <http://www.acq.osd.mil/housing/PEP%20Exec%20Report%20-Jun2010.pdf>.

¹⁸⁶ An Evaluation of Housing Options for Military Families, NDRI, MR-1020-OSD, (prepared for the Office of the Secretary of Defense by RAND's National Defense Research Institute), xvi (1999).

noncommissioned officers, groups receiving a higher rate of BAH; however, the pilot program planned for Fort Meade will house junior enlisted personnel.¹⁸⁷

Beneficiaries

Military Family Housing

Uniformed Service members who have been permanently assigned to an installation, other accompanied Service members, DoD civilian personnel at installations in foreign countries, and other groups defined in DoD Manual 4165.63M, “DoD Housing Management,” may apply for and occupy the military family housing managed by that installation. Accompanied Service members are those who have at least one family member living with them. For the Military Services, DoD establishes assignment priority categories for housing, and installation commanders are responsible for assigning priority for DoD family housing units. Installation commanders have the authority to deviate from the guidelines, on a case-by-case basis, when the guidelines would cause undue hardship.¹⁸⁸

The priorities for assignment of Service members and civilian employees to DoD family housing units are:

- Priority 1 - Key and essential Service members and civilians, including special command positions
- Priority 2
 - Service members and equivalent civilians who are assigned to, or attached for duty at, the installation (including sea duty), or who are assigned to other installations that are served by the housing complex
 - Independent duty personnel of any Service working within suitable commuting distances
- Priority 3 - All Service members and civilians not included in Priority 1 or 2.¹⁸⁹

Individuals in special categories and circumstances have additional eligibility and prioritization considerations. These include:

- uniformed personnel of USPHS
- uniformed personnel of NOAA
- foreign military personnel
- DoD civilian personnel in foreign countries
- DoD nonappropriated fund employees in foreign countries (on a reimbursable basis)
- DoD-sponsored civilian personnel in foreign countries (on a rental basis)
- families with special-needs members
- dependents of deceased military sponsors who die in the line of duty
- hardship cases (on a rental basis)
- dependents of sponsors assigned to an unaccompanied short tour outside the United States
- unmarried pregnant Service members without dependents

¹⁸⁷ Information provided by Army Installation Services Directorate, e-mail and phone call to MCRMC, March 11, 2014. See also Government Accountability Office, *Military Housing: Opportunities That Should Be Explored to Improve Housing and Reduce Costs for Unmarried Junior Servicemembers*, GAO-03-602 (2003), accessed June 13, 2014, <http://www.gao.gov/cgi-bin/getrpt?GAO-03-602>.

¹⁸⁸ DoD Housing Management, DoD Manual 4165.63, 18-19 (2010).

¹⁸⁹ Ibid, 19.

- alleged victims of domestic violence
- Non-Federal entities such as ARC and USO outside the United States (on a reimbursable basis)
- persons without adequate shelter in accordance with 10 U.S.C. § 2556 and DoD 4165.65¹⁹⁰

Additional details on when individuals on this list may be considered eligible and how their priority is set are in DoD 4165.63-M, “DoD Housing Management.”¹⁹¹

Unaccompanied Housing

As specified in DoD 4165.63-M, “the Secretary of a Military Department determines the pay grade of members normally required to live in UH and not be authorized a housing allowance. Factors that impact what pay grades are required to live in UH include militarization and/or mentoring, team building, operational and/or mission requirements, and location (if outside the United States).”¹⁹² Pursuant to 37 U.S.C. § 403, even if assigned UH, Service members in pay grade E-7 and above may elect not to occupy such quarters and instead to receive BAH.¹⁹³ Service members in pay grade E-6 have this same option if assigned to housing that does not meet the minimum adequacy standards established by the Secretary of Defense for members in such pay grade, or to housing under the jurisdiction of a uniformed service that does not meet such standards.¹⁹⁴ Table 7 summarizes the Military Departments’ policies concerning requirements to live in UH.¹⁹⁵ “At locations outside the United States, the thresholds can be at a higher pay grade due to security concerns and other factors.”¹⁹⁶

Table 7. Personnel without Dependents Required to Live in Permanent Party UH in the United States

| Service | Policy |
|--------------|---|
| Army | E-1 to E-5 |
| Navy | E-1 to E-3 E-4 with less than four years of service Depending on availability of UH on an installation, E-4s with more than 4 years of service may also be required to live in the UH |
| Marine Corps | E-1 to E-5 |
| Air Force | E-1 to E-3 E-4 with less than three years of service |

UH is categorized as either permanent-party UH or training UH, depending on its typical use. Training and mobilization requirements typically require all members, regardless of pay grade, to live in UH. Depending on the Service and the facility, higher pay grades and “geographic bachelors” may live in permanent-party UH on a space available basis. Geographic bachelors are Service members who choose to not relocate

¹⁹⁰ Ibid, 19-23.

¹⁹¹ Ibid.

¹⁹² Ibid, 23.

¹⁹³ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(e)(2) (2012).

¹⁹⁴ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 403(e)(3) (2012).

¹⁹⁵ Department of Defense, *Report to Congress on Government-Owned Unaccompanied Housing*, February 2013, 9, accessed June 1, 2014, <http://www.acq.osd.mil/ie/fim/library/HAP%20files/2013%20-%20Report%20to%20Congress%20on%20Govt-Owned%20Unaccompanied%20Housing.pdf>.

¹⁹⁶ Ibid.

their family to a new duty location and continue to draw BAH (with dependents) for their previous duty location.¹⁹⁷

Historical Context

The roots of military housing began with the United States Constitution, which specifically prohibited the British practice of quartering soldiers in private homes.¹⁹⁸ Responsibility for constructing training cantonments and more permanent structured camps belonged to the Army Quartermaster Corps founded in June 1775. The War Department split the responsibility for housing between the Quartermaster Corps and the Army Corps of Engineers following the War of 1812. The Quartermaster Corps focused primarily on field military housing, and the Engineers Corps eventually constructed more permanent military housing for soldiers and their families.

There were four major development periods for family housing in the U.S. military. The first took place in the late 19th century and early 20th century. The Quartermaster Corps “developed standardized plans and initiated a major effort to improve the quantity and quality of family housing.”¹⁹⁹

The second major housing development period came after World War I during the Great Depression. In response to the stock market collapse, President Hoover ordered Federal agencies to expedite public works projects, triggering the issuance of housing contracts. “This effort carried on during the Roosevelt Administration, up until the outbreak of WWII.”²⁰⁰

The third period occurred during the 1950s, when more than 55,000 family housing units were added to the military inventory. In 1949, the Congress passed the Wherry Bill, providing mortgage insurance through the Federal Housing Administration to private developers agreeing to construct housing on military bases. Congressional limitations on the amount of money which could be spent on Wherry housing units made it difficult to construct adequate numbers of units in high-cost areas. Military personnel paid rent on the units directly to the developers out of their housing allowance. In 1955, the Congress established a variation on the program named Capehart Housing.²⁰¹ The Capehart program relied on private developers to construct housing units, but instead of having personnel pay rent, the government paid off the principal and interest on the units during a 25-year period. As part of the Capehart program, all Wherry Housing units were purchased by the Government. During the Kennedy Administration, the Secretary of Defense asserted a new military housing policy, stating, to the extent possible, the military would depend on the civilian economy to provide housing for service families.²⁰²

The fourth major family housing development period took place during the Reagan Administration. The Military Departments used a variety of funding and construction programs to build housing units, including direct Congressional appropriations,

¹⁹⁷ Unaccompanied Personnel Housing for Junior Enlisted Members, LMI Report HCS80T1, 1-3 (2010) (as contracted for by the Department of Defense Office of Housing and Competitive Sourcing (H&CS)).

¹⁹⁸ U.S. CONST. amend. III.

¹⁹⁹ Department of Defense, *The Cost of Maintaining Historic Military Family Housing*, accessed June 1, 2014, http://www.denix.osd.mil/cr/upload/DODHOUSINGFINAL_1.PDF.

²⁰⁰ Ibid.

²⁰¹ Ibid.

²⁰² Ibid.

Section 801, Section 802, and Real Estate out-leasing programs.²⁰³ “Section 801” (10 U.S.C. § 2836) was essentially a build-to-lease program. The Services signed a 20-year lease/purchase agreement with a private developer. The Services built approximately 11,000 houses, including more than 4,000 for the Air Force.²⁰⁴ “Section 802” (10 U.S.C. § 2837), a housing rental-guarantee program, obligated the Services to guarantee ninety-seven percent occupancy or subsidize payments under a twenty five-year agreement with a private developer. Military members had first priority to rent the houses and paid the developer directly. However, rents were related to local basic allowance for quarters/variable housing allowance (BAQ/VHA) levels, which were fifteen percent below the median national housing costs and produced little interest from private developers. The Marine Corps used the Section 802 program to build 276 houses.”²⁰⁵

“Real estate out-leasing program (10 U.S.C. § 2667) allowed the Services to lease Government land to private developers to build houses with terms up to ninety-nine years. There was no rental guarantee. The developer assumed all the risk. Rents related to local BAQ/VHA levels but adjusted for inflation in later years. Individual Service members retained their housing allowances and entered into a lease with the developer.”²⁰⁶

In 1992, it was determined that approximately 43 percent of military housing (approximately 58,000 units) needed extensive repair. DoD estimated that \$16 billion, in the course of 20 years, was needed to complete the required renovations and improvements. DoD set a goal of revitalizing, replacing, or demolishing inadequate housing using MILCON and privatization by 2007.²⁰⁷

MHPI provided an alternative to traditional military funding and construction. MHPI was designed and developed to attract private-sector financing and expertise and innovation to provide necessary housing faster and more efficiently than traditional military construction processes would allow.

MHPI, to which the Congress provided permanent authorities in FY 2005,²⁰⁸ helped DoD alter the way it funds and builds housing in the following ways:

- offering incentives to the private sector for assistance
- leveraging private-sector financing
- giving the authority for government direct loans and guarantees of private-sector loans
- using conveyance or lease of property and housing, investments in joint ventures, and differential lease payments²⁰⁹

²⁰³ Ibid.

²⁰⁴ Suzanne Chapman, “The Housing Problem,” *Air Force Magazine*, June 1996, accessed June 1, 2014, <http://www.airforcemag.com/MagazineArchive/Pages/1996/June%201996/0696housing.aspx>.

²⁰⁵ Ibid.

²⁰⁶ Ibid, 38.

²⁰⁷ Overview: Military Housing, DUSD(I&E), accessed March 18, 2014, <http://www.acq.osd.mil/housing/housing101.htm>.

²⁰⁸ See generally Ronald W. Reagan National Defense Authorization Act for 2005, Pub. L. No. 108-375 107, Section 2805) (2005).

²⁰⁹ “Overview: Military Housing,” DUSD(I&E), accessed March 18, 2014, <http://www.acq.osd.mil/housing/housing101.htm>.

Under MHPI, private developers renovate or replace old, substandard military housing and, when necessary, build additional units. The developers become the owners and managers of those properties and the landlords for the military families in those homes. Military families are able to live in updated, repaired, or newly constructed homes that are maintained as part of a 50-year lease. In many areas, this approach addressed both the poor condition of DoD-owned housing and the shortage of quality, affordable, private housing. MHPI projects are approved by the Executive Office of the President (Office of Management and Budget (OMB)) and the Congress.²¹⁰ As of February 2012, 105 projects had been approved and awarded²¹¹ representing 191,905 homes.²¹²

MHPI authorities have also been applied UH. Between 1996 and 2013, the Army and Navy implemented seven privatized UH projects. The Air Force and Marine Corps have not used the privatization authorities and are relying on MILCON funds to maintain and improve their UH inventory.²¹³

Financial Summary

The FY 2013 cost of providing military housing was approximately \$3.2 billion. This amount included the cost of government-owned or leased family housing, UH, and the Family Housing Improvement Fund.²¹⁴ The FY 2013 DoD cost for government-owned family housing was \$1.49 billion. This cost included \$136 million for military construction and \$1.35 billion for operations and maintenance.²¹⁵ The FY 2013 DoD cost for UH was approximately \$1.78 billion, including \$978 million in military construction costs²¹⁶ and \$710 million in O&M Focused Funding (above normal sustainment funding).²¹⁷ The \$3.2 billion total does not include normal sustainment funding for the UH; that spending is included in other operations and maintenance budgets and is not separately reported.²¹⁸ The total also does not include the cost of providing BAH for those who do not live in military housing.

FY 2013 DoD housing costs also included \$2 million for the Family Housing Improvement Fund (FHIF).²¹⁹ DoD may use funds available in the FHIF to “carry out activities such as required in connection with the planning, execution, and administration of contracts’ funds that are otherwise available to DoD for such types of expenses.”²²⁰ In addition, with approval from OMB, the Services can transfer

²¹⁰ “Military Housing Privatization, Housing Projects, Project Awards as of February 2012,” DUSD(I&E), accessed March 18, 2014, <http://www.acq.osd.mil/housing/projawarded.htm>.

²¹¹ *Ibid.*

²¹² *Ibid.*, Appendix 3, 24-26. The total of 191,905 privatized homes is calculated by summing the total number of privatized homes for each Service as shown.

²¹³ See generally Government Accountability Office, *Military Housing: Information on the Privatization of Unaccompanied Personnel Housing*, GAO-14-313 (2014).

²¹⁴ Cost information provided by Office of the Secretary of Defense Personnel and Readiness, e-mail to MCRMC, May 14, 2014.

²¹⁵ *Ibid.*

²¹⁶ Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2015, Construction Programs (C-1)*, accessed June 1, 2014, http://comptroller.defense.gov/Portals/45/documents/defbudget/fy2015/fy2015_c1.pdf.

²¹⁷ Department of Defense, *Report to Congress on Government-Owned Unaccompanied Housing, February 2013*, 5, accessed June 1, 2014, <http://www.acq.osd.mil/ie/fim/library/HAP%20files/2013%20-%20Report%20to%20Congress%20on%20Govt-Owned%20Unaccompanied%20Housing.pdf>.

²¹⁸ *Ibid.*, 2 and 5.

²¹⁹ Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2015, Construction Programs (C-1)*, accessed June 1, 2014, http://comptroller.defense.gov/Portals/45/documents/defbudget/fy2015/fy2015_c1.pdf.

²²⁰ Armed Forces, 10 U.S.C. § 2883(d).

MILCON funds to the FHIF for use as a Government equity (cash) contribution toward new MHPI projects.²²¹ These MILCON funds can help reduce the amount of debt required by the privatization partner for initial project construction, when a rental income stream is not yet available. According to the 2012 MHPI Program Evaluation Plan Executive Report, from the establishment of MHPI in 1996 to March 31, 2012, “The Government has contributed \$3.6 billion to support privatization, primarily through equity investments and funding the scored costs for Government Direct Loans and Government Loan Guarantees. For this Government contribution, the program is receiving almost \$30 billion in project development.”²²²

5.1.8. MILITARY LODGING

DoD operates a variety of lodging facilities to accommodate Service members while on official and unofficial (recreational) travel. According to DoD Instruction 1015.11, the military lodging program supports, “readiness, mission accomplishment, and improved productivity by providing quality, affordable lodging and hospitality services for a mobile military community.”²²³ DoD Instruction 1015.11, directs that, “Personnel staying in DoD lodging shall have the same quality facilities, furnishings, and services, as they would find in a good quality, mid-level, commercial hotel.”²²⁴

There are four main categories of military lodging based on the types of travelers that they primarily support: temporary duty, permanent change of station, military treatment facility, and recreational.²²⁵

5.1.8.1. TEMPORARY DUTY LODGING/TRANSIENT UNACCOMPANIED PERSONNEL HOUSING

Temporary Duty (TDY) lodging accommodations are provided to meet the needs of official travelers temporarily assigned to an installation other than their permanent duty station in the conduct of official duties (e.g., training, meetings).²²⁶ In FY 2013, DoD operated approximately 52,000 TDY lodging rooms. The occupancy rate was 68 percent, and these facilities employed nearly 7,800 individuals, including many military family members.²²⁷

TDY lodges are known by a variety of official names, including Visiting Officer Quarters (VOQ), Visiting Enlisted Quarters (VEQ), and Distinguished Visitor Quarters (DVQ). Each of the Services has branded its lodging differently (i.e., Navy Gateway Inns & Suites, Inns of the Corps, Army Lodging, and Air Force Inns).²²⁸ TDY lodging

²²¹ Office of the Secretary of Defense Housing & Competitive Sourcing, *Military Housing Privatization 101*, briefing presented by Lisa Tychsen, January 26, 2005, accessed June 1, 2014, http://www.phma.com/osd/TYCHSEN.ppt&sa=U&ei=ZJtFU_jDluPLsQSg_YDIDg&ved=0CDgQFjAF&usg=AFQjCNEYxPjZu3VRPkHI0TEBJ6tpLw3Ddg.

²²² DUSD(I&E), *Military Housing Privatization Initiative Program Evaluation Plan Executive Report, March 31, 2012*, 23, accessed June 1, 2014, http://www.mcrmc.gov/public/docs/library/qol/MPHI_House_Report_109-95_PEP_Exec_Rpt_sent_to_Congr_20_Feb_2013_data_as_of_31_Mar_2012.pdf.

²²³ Lodging Policy, DoDI 1015.11, 2 (2011).

²²⁴ Ibid.

²²⁵ Lodging Program Resource Management, DoDI 1015.12, 2-4 (1996).

²²⁶ Ibid, 2-3.

²²⁷ Information received from OSD(P&R), Military Community & Family Policy, e-mail to MCRMC, May 14, 2014.

²²⁸ “DoD Lodging,” Department of Defense, accessed February 28, 2014, <http://www.dodlodging.net/>.

may also be used by individuals who are in a PCS status or on recreational travel, but on a lower priority, space-available basis.

TDY lodges are subsidized with appropriated funds, thereby reducing room rates. DoD promotes the use of military lodging over commercial alternatives to achieve high occupancy rates and reduce official travel costs.²²⁹ The Joint Federal Travel Regulation (JFTR) requires uniformed Service members on orders to a U.S. installation (as opposed to a geographic location like a town or city) to use Government quarters at the site to which they are temporarily assigned if Government quarters are available.²³⁰ If a Service member chooses to use nongovernment lodging when government lodging is available, reimbursement is limited to the cost of government lodging.²³¹

Civilian employees of DoD can be encouraged to stay in military lodging; however, the Joint Travel Regulations (JTR) prohibit directing or requiring civilian employees to use Government quarters, including military lodging. In addition, the reimbursement for civilian employees cannot be limited to the cost of Government lodging.²³²

Although official travel costs (including lodging) are paid with appropriated funds (APF), once the funds are paid to a military lodge, they become nonappropriated funds (NAF).²³³ As NAFs, “They are used for the collective benefit of the authorized patrons who generate them”²³⁴ and thus are used to operate, maintain, or improve lodging. Per DoD Instruction 1015.12, “NAFs that are generated from lodging programs or associated with lodging programs shall only be used within lodging programs unless they are organized as part of the single MWR [Morale, Welfare, and Recreation] fund.”²³⁵

TDY lodging is funded with a combination of APF and NAF. DoD Instruction 1015.12 provides a listing of all lodging expense elements with the associated funding source (APF or NAF).²³⁶ For example, housekeeping services for guest rooms are funded with NAF, while housekeeping services for common areas are funded with APF.²³⁷ Service charges (room rates) are set at the lowest level possible to reduce travel costs yet recover authorized NAF expenses including planned room furnishings, refurbishment, amenity upgrades (as specified in a five-year lodging plan), and other specified costs.²³⁸ APF cover many of the common costs, including major construction, renovation, administration, and common support services (e.g., utilities, repair and maintenance, trash removal). This subsidized approach, along with an exemption from state and

²²⁹ Lodging Policy, DoDI 1015.11, 2 (2011).

²³⁰ Joint Federal Travel Regulations, Volume 1, Uniformed Service Members, U2H-1 (2014). *See also* Defense Travel Management Office website, Government Lodging, accessed June 9, 2014, <http://www.defensetravel.dod.mil/site/govLodging.cfm>.

²³¹ Joint Federal Travel Regulations, Volume 1, Uniformed Service Members, U2H-1 through U2H-3 (2014).

²³² Joint Travel Regulations, Volume 2, Department of Defense Civilian Personnel, as updated, C2H-1 (2012). *See also* 44 Comp. Gen. 626, GAO B-156187 (1965).

²³³ Joint Travel Regulations, Volume 2, Department of Defense Civilian Personnel, as updated, C2H-1 through C2H3 (2012).

²³⁴ Lodging Program Resource Management, DoDI 1015.12, Enclosure 2, 17 (1996).

²³⁵ *Ibid.*, 6.

²³⁶ Lodging Program Resource Management, DoDI 1015.12, Enclosure 4, “Lodging Program (Category A) APF Support Table of Authorization,” 22 (1996).

²³⁷ *Ibid.*

²³⁸ *Ibid.*, 2-3.

local taxes (e.g., sales tax, hotel tax, business tax), typically result in room rates that are lower than comparable commercial lodging.²³⁹

TDY lodging is categorized as Mission Sustaining (Category A) in that it is considered essential in meeting the organizational objectives of the Military Services.²⁴⁰ Like Category A MWR programs, TDY lodging, “promote[s] the physical and mental well-being of the military member, a requirement that supports accomplishment of the basic military mission.”²⁴¹

5.1.8.2. PERMANENT CHANGE OF STATION LODGING/TEMPORARY LODGING FACILITIES

Permanent Change of Station (PCS) lodging provides accommodations for Service members and their families who are in transition between permanent duty stations. Rooms normally include a kitchen²⁴² and may be located in the same building as TDY lodging. PCS lodging may also be used by individuals who are in a TDY status or on recreational travel, but on a lower priority, space-available basis.

Officially referred to as Temporary Lodging Facilities (TLF) or Guest Houses, most Services have branded their PCS lodging the same as their TDY lodging (i.e., Army Lodging, Air Force Inns, and Inns of the Corps). Navy is the exception, branding TDY lodges as Navy Gateway Inns & Suites and PCS lodging as Navy Lodges.²⁴³

In FY 2013, DoD managed 7,381 rooms in this category. Their occupancy rate was 81 percent, and they employed more than 1,661 individuals.²⁴⁴

Similar to TDY lodging, PCS lodges are exempt from taxes and receive a combination of APF and NAF.²⁴⁵ In terms of which funds are used for individual cost elements, the only difference between TDY and PCS lodging is that major construction for PCS lodging is funded by NAF (rather than APF, like it is for TDY lodging).²⁴⁶ This means that the PCS lodging system must generate sufficient funding to pay for the initial construction or replacement of its lodging facilities.

PCS lodging can either be categorized as Mission Sustaining (Category A) or Revenue Generating (Category C).²⁴⁷ PCS lodging is categorized as revenue generating when it is funded or operated by either an MWR program or a military exchange.²⁴⁸

Like Category C MWR programs, lodging is considered to be a “highly desirable” program, providing services that, “contribute to building a sense of community and enjoyment.”²⁴⁹

²³⁹ Government Accountability Office, “Army’s Privatized Lodging Program Could Benefit from More Effective Planning,” GAO-10-771, 11 (2010).

²⁴⁰ Lodging Program Resource Management, DoDI 1015.12, Enclosure 3, 19-20 (2010).

²⁴¹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10 (2009).

²⁴² Lodging Program Resource Management, DoDI 1015.12, 3, 21 (1996).

²⁴³ “Department of Defense Lodging,” DoD Lodging, accessed February 28, 2014, <http://www.dodlodging.net/>.

²⁴⁴ Information received from OSD(P&R), Military Community & Family Policy, e-mail to MCRMC, May 14, 2014.

²⁴⁵ Lodging Program Resource Management, DoDI 1015.12, Enclosure 4, 22 (1996).

²⁴⁶ Ibid.

²⁴⁷ Ibid, 3.

²⁴⁸ Ibid, Enclosure 3, 19.

5.1.8.3. RECREATIONAL LODGING

Recreational lodging programs include a wide range of accommodations from camping, to unofficial lodging programs (e.g., cabins, cottages, trailers and recreational vehicle parks), to military resorts known as Joint Service Facilities (JSFs) and Armed Forces Recreation Centers (AFRCs).²⁵⁰ This lodging is available to Service members, retirees, their families, and other eligible patrons (e.g., un-remarried surviving spouses, DoD and Coast Guard civilians and their families when stationed outside the United States) for off duty, recreational use. In addition to accommodations, some recreational lodging options offer rental equipment and other discounted services.

AFRCs offer resort style accommodations. AFRCs are operated by the Army and are located in Hawaii (Honolulu), Florida (Orlando), South Korea (Seoul), and Germany (Garmisch-Partenkirchen). Providing similar accommodations, the Navy operates a JSF in Japan (Tokyo).²⁵¹

In addition to the AFRCs and JSFs, the FY 2013 portfolio of recreational lodging facilities included 147 recreation areas, 71 hotel-like facilities, 1,072 cabins, 500 cottages, 224 trailers, 164 RV/trailer parks, and 109 campgrounds.²⁵²

Except for camping (Category B, Basic Community Support Programs), recreational lodging options are categorized as Revenue Generating Programs (Category C), receiving limited APF support.²⁵³ Patrons are charged fees that cover most expenses.²⁵⁴

5.1.8.4. MILITARY TREATMENT FACILITY LODGING

Military Treatment Facility (MTF) lodging provides a home-like setting for patients of a nearby MTF, as well as their families. These facilities are built, furnished, and donated to the military by charitable organizations (e.g., Zachary and Elizabeth M. Fisher Armed Services Foundation).²⁵⁵ DoD Instruction 1015.12 specifies that,

*The local MTF Commander controls the operation of these houses. These are classified as a supplemental mission fund, special NAFI, separate from the Lodging, Billeting, or MWR fund, to account for NAF revenues from service charges, sundry sales, interest income, fund raising contributions and other income. The MTF commander establishes service charges to pay NAF operating expenses. The initial building, including furnishings, appliances, etc., for a complete and usable facility are initially provided with funds donated by a foundation; e.g., Zachary and Elizabeth M. Fisher Armed Services Foundation. Construction, replacement, and facility maintenance of these donated facilities are appropriated fund (APF) requirements.*²⁵⁶

²⁴⁹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, Enclosure 5, 29 (2011).

²⁵⁰ Lodging Program Resource Management, DoDI 1015.12, 3 (1996).

²⁵¹ Information provided by Office of Secretary of Defense Personnel and Readiness, e-mail to MCRMC, May 14, 2014.

²⁵² Ibid.

²⁵³ Lodging Program Resource Management, DoDI 1015.12, 20, 21, and 25 (1996).

²⁵⁴ Information provided by Office of Secretary of Defense Personnel and Readiness, briefing to MCRMC, October 30, 2013.

²⁵⁵ Lodging Program Resource Management, DoDI 1015.12, 3-4 (1996).

²⁵⁶ Ibid, 4.

As discussed above, the management and funding models can vary between the different lodging types and different Military Services. The Army and Air Force each manage their TDY and PCS lodging together, yet the Navy and Marine Corps divide official lodging operations, managing separate TDY and PCS lodging programs. The Nonappropriated Fund Instrumentality (NAFI) structures vary as well. Table 8 summarizes these variations.²⁵⁷

Table 8. Military Lodging Overview²⁵⁸

| Component | Type of Lodging | Non-Appropriated Fund Instrumentality (NAFI) | Management Organization |
|--------------|----------------------------------|--|---------------------------|
| Army | TDY and PCS (Army Lodging) | Lodging Fund | IMCOM, G9 |
| | Recreational | MWR Fund | IMCOM, G9 |
| | AFRCs | AFRC/JSF Fund | IMCOM, G9 |
| | Military Treatment Facility | MTF Fund | Medical Command |
| Air Force | TDY and PCS (Air Force Inns) | Lodging Fund | AF Services |
| | Recreational | MWR Fund | AF Services |
| | Military Treatment Facility | MTF Fund | AF Services |
| Navy | TDY (Navy Gateway Inns & Suites) | Lodging Fund | CNIC |
| | PCS (Navy Lodge) | Lodging Fund | NEXCOM |
| | Recreational | MWR Fund | CNIC |
| | JSF New Sanno Hotel | AFRC/JSF Fund | CNIC |
| | Military Treatment Facility | MTF Fund | CNIC |
| Marine Corps | TDY (Marine Corps Lodging) | Lodging Fund | Installations & Logistics |
| | PCS (Inns of the Corps) | MWR Fund | MCCS |
| | Recreational | MWR Fund | MCCS |

The information above only includes Army TDY and PCS lodging that is located outside the contiguous United States (20 locations, 1,951 rooms) and a limited number (2,215 rooms at four locations) within the contiguous United States (Fort Lee, Fort Benning, Fort Irwin, and the Judge Advocate General School).²⁵⁹ The remaining official Army lodging (TDY and PCS) in CONUS, Hawaii, and Puerto Rico is excluded, because it has been privatized.²⁶⁰ In 2003, the Army determined that 80 percent of the Army lodging inventory²⁶¹ did not meet Army lodging standards and the associated recapitalization costs were estimated at more than \$1 billion.²⁶² Building on MHPI,²⁶³ the Army entered into a lease with a commercial entity, conveying most existing lodging facilities in CONUS, Hawaii and Puerto Rico.²⁶⁴ The developer engaged a large international hotelier, raised the necessary private capital, assumed responsibility,

²⁵⁷ Information provided by Office of Secretary of Defense Personnel and Readiness, briefing to MCRMC, October 30, 2013.

²⁵⁸ Definitions: IMCOM G9: U.S. Army Installation Management Command, G9: Morale, Welfare and Recreation; AF Services: Air Force Services Agency (AFSVA); CNIC: Commander, Navy Installations Command; NEXCOM: Navy Exchange Service Command; MCCS: Marine Corps Community Services.

²⁵⁹ Information provided by Office of Secretary of Defense Personnel and Readiness, e-mail to MCRMC, May 14, 2014.

²⁶⁰ "Locations," Privatized Army Lodging (PAL), accessed April 10, 2014,

<http://www.pal.army.mil/programinformation/locations.html>.

²⁶¹ Government Accountability Office, "Army's Privatized Lodging Program Could Benefit from More Effective Planning," GAO-10-771, 1 (2010).

²⁶² Privatization of Army Lodging (PAL) Group, A Report to Congress, 3, March 12, 2010.

²⁶³ National Defense Authorization Act for FY 1996, Pub. L. No. 104-106, §§ 2801-2841 (1996), codified as amended at Armed Forces, 10 U.S.C. §§ 2871 *et seq.*, Alternative Authority for Acquisition and Improvement of Military Housing.

²⁶⁴ "PAL Locations," Privatized Army Lodging (PAL), accessed April 10, 2014,

<http://www.pal.army.mil/programinformation/locations.html>.

and started renovations and replacements of lodging facilities.²⁶⁵ As of 2011, the Privatization of Army Lodging (PAL) program had privatized 8,039 rooms on 21 installations.²⁶⁶ The rate charged to official travelers is capped at the weighted average of 75 percent of the lodging per diem across the portfolio.²⁶⁷ The room rates cover all operational costs, on-going recapitalization, and future sustainment requirements.²⁶⁸ There are no occupancy or financial guarantees made by the Army to the owner-developer.²⁶⁹ DoD policy does not require official travelers to use these facilities; however, priority is given to official travelers.²⁷⁰ As reported to the Congress in 2010, 95 percent of PAL customers were official travelers (on military orders) and 5 percent were unofficial travelers.²⁷¹

Beneficiaries

The following groups are examples of those who are eligible to use official military lodging:²⁷²

- active-duty Service members on PCS or Temporary Assigned Duty (TAD) orders and their family members, or family members alone when traveling in a PCS status
- active-duty Service members who are single and nonprimary custodial parents, during custodial or other visitation periods with minor dependent children
- Reserve Component members on active duty or on active duty for training and during periods of scheduled inactive-duty training at an installation
- DoD and Coast Guard civilians (both APF and NAF) on TAD orders
- DoD and Coast Guard civilians (both APF and NAF) on PCS orders and their family members or family members alone OCONUS
- DoD sponsored foreign nationals on TAD orders
- Military Service family members on medical TAD orders
- families, relatives, guests of hospitalized Service members
- active and retired Service members and their family members undergoing outpatient treatment at a medical facility who must stay overnight in lodging
- honorable discharged veterans with 100 percent Service connected disability and involuntary separated members under the Transition Assistance Management Program.
- Congressional Medal of Honor recipients
- guests of the Military Services as determined by the installation commander

The following groups are eligible to use official military lodging on a space available basis:²⁷³

²⁶⁵ Privatization of Army Lodging (PAL) Group, *A Report to Congress, March 12, 2010*, 3, 12, 15, provided by U.S. Army HQDA ACSIM, e-mail to MCRMC, April 18, 2014.

²⁶⁶ Department of Defense, *Military Housing Privatization Initiative, Program Evaluation Plan, Executive Report, as of March 31, 2012*, 15, accessed June 1, 2014, <http://www.acq.osd.mil/housing/PEP%20Exec%20Report%20-Jun2010.pdf>.

²⁶⁷ Ibid.

²⁶⁸ Ibid, 29.

²⁶⁹ Government Accountability Office, *Army's Privatized Lodging Program Could Benefit from More Effective Planning*, accessed June 1, 2014, <http://www.gao.gov/assets/310/308068.pdf>

²⁷⁰ "PAL Locations," Privatized Army Lodging (PAL), 38, accessed April 10, 2014, <http://www.pal.army.mil/programinformation/locations.html>.

²⁷¹ Ibid.

²⁷² "Lodging Guest Eligibility," Inns of the Corps, accessed June 1, 2014, https://www.innsofthecorps.com/lodging_guest_eligibility.htm. Note that eligibility requirements for lodging are not currently defined at the DoD level. Service-level requirements are consistent with minor differences.

- active-duty Service members and Reserve Component members in a nonduty status and/or their family members
- Service retirees, retired Reserve Component members with pay and retired without pay (gray area), and their family members
- relatives and guests of Service members assigned to the installation
- DoD civilians (APF and NAF) on PCS orders and their family members in the continental United States
- DoD civilians (APF and NAF) in a nonduty status and their accompanying family members
- unremarried surviving spouses of personnel who died while on active duty or while in retired status and unremarried former spouses who were married to military members for at least 20 years while the military member was on active duty
- nonmilitary uniformed personnel of USPHS and NOAA, and foreign military personnel in an active-duty status, when authorized by the installation commander

Historical Context

For centuries, military organizations have provided basic necessities (e.g., food, shelter) to their members as a fundamental benefit of military service.²⁷⁴ Setting aside the harsh conditions faced in war zones, military “shelter” has evolved from basic encampments to modern standards that include a variety of permanent duty station options (e.g., barracks, military housing, pay allowances for commercial housing) and temporary duty options (e.g., military lodging, commercial lodging with reimbursement). In most situations, military lodging ensures affordable, quality lodging facilities for authorized travelers. For remote installations, military lodging may be the only practical option because off-installation, commercial lodging is either not available or not affordable.

Since the development of the All-Volunteer Force, it has been shown that the quality of military accommodations for Service members and their families is a relevant factor in their retention.²⁷⁵ DoD has made significant investments in the last decade, eliminating most of the major repair and recapitalization backlog.²⁷⁶ Lodging privatization programs (primarily in the Army) have provided access to additional private funding to support these efforts.²⁷⁷

The MTF lodging category was developed in response to philanthropic efforts to assist Service members and their families undergoing treatment at MTFs. Wanting to create an on-installation equivalent of a Ronald McDonald House, a Nightingale House was established on Wright Patterson Air Force Base in 1990.²⁷⁸ The same year, the wife of

²⁷³ “Lodging Guest Eligibility,” Inns of the Corps, accessed April 10, 2014, https://www.innsofthecorps.com/lodging_guest_eligibility.html, April 10, 2014.

²⁷⁴ “U.S. Army MWR History,” U.S. Army MWR, accessed May 21, 2014, <http://new.armymwr.com/commander/history.aspx>.

²⁷⁵ “What is important to you and your family?” National Military Family Association, accessed June 1, 2014, <http://www.militaryfamily.org/assets/pdf/Web-Executive-Summary-7.pdf>. See also “NMFA Survey Summary,” National Military Family Association, accessed June 1, 2014, <http://www.militaryfamily.org/assets/pdf/Survey-Summary-edited.pdf>.

²⁷⁶ Information provided by Office of Secretary of Defense Personnel and Readiness, e-mail to MCRMC, May 14, 2014.

²⁷⁷ Government Accountability Office, *Army’s Privatized Lodging Program Could Benefit from More Effective Planning, What GAO Found*, accessed June 1, 2014, 2014, <http://www.gao.gov/assets/310/308068.pdf>.

²⁷⁸ “History,” Fisher Nightingale Houses, Inc., accessed February 28, 2014, <http://www.fnhi.org/about.html>.

the Chief of Naval Operations presented to philanthropists Zachary and Elizabeth Fisher the need for temporary lodging facilities for families at major military medical centers.²⁷⁹ Since 1990, the Fisher House Foundation has opened 62 Fisher Houses, serving more than 180,000 families and providing more than 5 million days of lodging, saving military families more than \$200 million in lodging and transportation costs.²⁸⁰ The MTF lodging category addresses the transfer and operation of these donated facilities.²⁸¹

Financial Summary

Military lodging costs are funded with a combination of APF and NAF.²⁸² The APF funding for FY 2013, covering direct lodging costs for TDY and PCS lodging, was \$65 million.²⁸³ Some APF cost elements are indirectly funded through installation-level service organizations and are thus not reflected in this amount. These indirectly funded costs typically include services such as utilities, maintenance of common areas, security, snow removal, etc.²⁸⁴ With the exception of camping facilities, recreational lodging, as revenue generating programs (Category C), receive only limited APF support.²⁸⁵

In FY 2013, official military lodging (TDY and PCS) collected \$592 million in revenue to cover NAF expense elements.²⁸⁶ Most of this originated as APF (travel and personnel budgets), but a small amount is attributable to recreational travelers using lodging on a space-available basis, receiving no government reimbursement.²⁸⁷ As Non-Appropriated Fund Instrumentalities (NAFIs), lodging programs have the flexibility to set aside these NAFs to address future requirements.²⁸⁸

5.1.9. MORALE, WELFARE, AND RECREATION

DoD provides Morale, Welfare, and Recreation (MWR) programs to maintain individual, family and mission readiness during peacetime, contingencies, and war.²⁸⁹ These programs are designed to build healthy military families and communities, encourage positive values, and provide for physical, social and cultural needs.²⁹⁰ MWR includes a wide range of programs and services from fitness and outdoor recreation, to libraries, bowling centers, and organized social activities. Active living is promoted in an effort to build positive self-esteem and esprit de corps—considered to be essential qualities for personal and professional success.²⁹¹ These activities are intended to lead to improved personal health, personal and family resilience, and strong military families.²⁹²

²⁷⁹ “Our History,” Fisher House, accessed February 28, 2014, <http://www.fisherhouse.org/about/our-history/>.

²⁸⁰ Ibid.

²⁸¹ Lodging Program Resource Management, DoDI 1015.12 (1996).

²⁸² Ibid, Enclosure 4.

²⁸³ Information provided by Office of Secretary of Defense Personnel and Readiness, e-mail to MCRMC, May 14, 2014.

²⁸⁴ Lodging Program Resource Management, DoDI 1015.12, 22 (1996).

²⁸⁵ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 30 and 33 (2011).

²⁸⁶ Ibid.

²⁸⁷ Ibid.

²⁸⁸ Armed Forces, 10 U.S.C. § 2783. DoD FMR 7000.14-R, Volume 13, Nonappropriated Funds Policy and Procedures (2013). Procedures and Support for Non-Federal Entities Authorized to Operate on DoD Installations, DoDI 1000.15 (2008). Lodging Program Resource Management, DoDI 1015, 12 (1996).

²⁸⁹ See generally Armed Forces, 10 U.S.C. §§ 2491-2495b.

²⁹⁰ “Achieving Resilience through Morale, Welfare, and Recreation Programs,” Military OneSource, accessed February 1, 2014, <http://www.militaryonesource.mil/mwr>.

²⁹¹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 9, para e (2011).

²⁹² Ibid, 2.

According to DoD Instruction 1015.10, “Throughout the military, MWR programs provide high quality recreation opportunities and consistent community support for Service members and their families.”²⁹³ Many of the MWR services are located on military installations and are similar to those provided by local and state governments. “For deployed National Guard, Reserve and active-duty Service members who live far from an installation, MWR offers some outreach programs.”²⁹⁴ MWR programs promote military quality of life as well as military recruitment and retention.²⁹⁵

Morale, Welfare, and Recreation programs have different names in each of the Services: Army Family and MWR, Marine Corps Community Services, Navy MWR, U.S. Air Force Services, and Coast Guard Morale, Well-Being, and Recreation. Each provides a variety of recreational programs on and off the installation for Service members, their families, and other eligible patrons. Available programs and services can vary substantially from one installation to another.²⁹⁶ Each of the Services have mechanisms to measure customer demand, usage, and satisfaction, and act upon findings through program adjustments, new initiatives, or closures.²⁹⁷ Additional information is available by Service on the Military OneSource website.²⁹⁸ All Service-level MWR programs are organized into three categories: Category A-Mission Sustaining Programs, Category B-Basic Community Support Programs, and Category C-Revenue Generating Programs.²⁹⁹

5.1.9.1. CATEGORY A - MISSION SUSTAINING PROGRAMS

Mission sustaining programs are considered essential in meeting the organizational objectives of the Military Services by promoting the physical and mental well-being of the military member, a requirement that supports the accomplishment of the basic military mission.³⁰⁰ Although fees may be charged for some services (i.e., generating NAF), the DoD standard is to fund Category A MWR programs with APF at a minimum of 85 percent of total expenditures.³⁰¹ This standard is monitored through the routine reporting required of all MWR programs.³⁰² Mission sustaining programs include the following:

5.1.9.1.1. Armed Forces Entertainment

Service members overseas may be provided free, professional entertainment.³⁰³

5.1.9.1.2. Motion Pictures Provided at No Cost to the User

Military Service members located on ships, in isolated areas, and on deployments can watch movies licensed for public viewing at no cost.³⁰⁴

²⁹³ Ibid, 17.

²⁹⁴ Ibid.

²⁹⁵ Ibid, 2, para 4 (a-d).

²⁹⁶ See the following MWR websites: Army Family and MWR, <http://www.armymwr.com/>; Marine Corps Community Services, <http://www.usmc-mccs.org/fitnessrec/index.cfm?sid=rf&smid=1>; Navy MWR, http://www.cnmc.navy.mil/ffr/fleet_readiness.html; United States Air Force Services, <https://www.usafservices.com/Home.aspx>.

²⁹⁷ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 11 (2011)

²⁹⁸ Ibid, 9. See also <http://www.militaryonesource.mil>.

²⁹⁹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 24-31 (2011).

³⁰⁰ Ibid, 24.

³⁰¹ Ibid, 32.

³⁰² Ibid.

³⁰³ Ibid, 24.

5.1.9.1.3. Physical Fitness

Fitness and sports programs are provided to develop cardiovascular fitness, strength conditioning, flexibility, and muscular endurance. These programs also promote healthy lifestyles.³⁰⁵

5.1.9.1.4. Aquatic Training

Aquatic training programs include swimming associated with Service member training. These programs do not include recreational swimming programs, which are included either in Category B programs or through aquatics centers covered under Category C.³⁰⁶

5.1.9.1.5. Library Programs and Information Services

DoD MWR library services and activities may include professional and technical education and training, Internet access, transition and career assistance, relocation assistance, and leisure needs of the military community. This category does not include libraries for which the primary purpose is to provide technical information related to military education.³⁰⁷ Components may include library buildings, multimedia resource centers, and information centers.³⁰⁸

5.1.9.1.6. Basic Social Recreation Programs

Basic social recreation programs provide opportunities for social interaction, self-expression, leisure pursuits, and cultural and educational activities that appeal to all segments of the community.³⁰⁹

5.1.9.1.6.1. Single Service Member Programs

Single Service member programs support the overall quality of life for single Service members ages 18 to 25 by offering diverse programs and services that appeal to this age group. These programs encourage and assist single Service members in identifying and planning for recreational and leisure activities.³¹⁰

5.1.9.1.6.2. Category A Recreation Center Programs

Category A Recreation Centers centrally locate MWR programs that provide directed and self-directed individual and group activities. Targeted to the DoD community as a whole, military personnel are provided opportunities to become involved in their community. Centers provide facilities such as Internet cafes, game rooms, video games, billiards, table games, table tennis, television and movie rooms, music rooms, and classrooms to allow for participation in a variety of social, competitive, and educational activities.³¹¹

5.1.9.1.7. Shipboard, Company, and Unit-Level Programs

Shipboard, company, and unit-level programs provide activities to maintain mission readiness, improve unit teamwork, and create esprit de corps.³¹²

³⁰⁴ Ibid.

³⁰⁵ Ibid.

³⁰⁶ Ibid.

³⁰⁷ Ibid.

³⁰⁸ Ibid.

³⁰⁹ Ibid.

³¹⁰ Ibid, 25.

³¹¹ Ibid.

³¹² Ibid.

5.1.9.1.8. Sports and Athletics

Sports and athletics provide support for individuals and teams to enhance individual fitness and unit teamwork and readiness.³¹³

5.1.9.1.9. Outreach Programs

Outreach programs offer active-duty Service members, National Guard, and Reserve members, access to quality of life programs in the civilian community. Under these programs, DoD has contracted with the Armed Services Young Men's Christian Association (ASYMCA) to offer memberships at local participating Young Men's Christian Associations (YMCAs) for families of deployed Guard and Reserve personnel, active-duty Service members assigned to Independent Duty locations, relocated spouses of deployed active-duty members, and wounded warriors assigned to a community-based Warrior Transition Unit. The free memberships are available at more than 2,000 YMCAs in the United States and Puerto Rico. In addition, respite care for eligible families is currently offered in nine states that meet DoD child care requirements.³¹⁴

5.1.9.1.10. Warfighter Family Services

Warfighter Family Services (WFS) can provide a variety of support services designed to help with an individual's quality of life. These services may include coordination of volunteers; solution-focused, nonmedical counseling; preventive counseling to ensure healthy lifestyles; crisis assistance; counseling on parenting; and decision-making assistance. There are also unit-level programs focused on financial counseling, decision-making skills, job seeking, and adjustment to the military environment. These support services may be offered as a Category A MWR program at the discretion of the Military Services.³¹⁵

5.1.9.2. CATEGORY B - BASIC COMMUNITY SUPPORT PROGRAMS

Basic Community Support Programs, "satisfy the basic physiological and psychological needs of Service members and their families, providing to the extent possible the community support systems that make DoD installations temporary hometowns for a mobile military population."³¹⁶ Like most other MWR programs, costs are covered by a combination of APF, provided by the Congress, and NAF, collected as usage fees from patrons. For Category B, "These support programs should receive substantial amounts of APF support but differ from those in Category A in part because of their ability to generate NAF revenues. That ability is limited, however, and in no case could they be sustained without substantial APF support."³¹⁷ The DoD standard is to fund Category B MWR programs with appropriated funds at a minimum of 65 percent of total expenditures.³¹⁸ Examples of Category B programs include the following:

5.1.9.2.1. Child, Youth, and School Support Services

DoD Child, Youth, and School Support (CYSS) Services, regardless of program setting or age group, promote the cognitive, social, emotional, and physical development of

³¹³ Ibid.

³¹⁴ "Outreach to Active, Guard, and Reserve Information," Military OneSource, accessed June 1, 2014, <http://www.militaryonesource.mil/mwr/leaders?Contentid+268237>.

³¹⁵ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10 (2009), 5 (2011).

³¹⁶ Ibid, 26.

³¹⁷ Ibid.

³¹⁸ Ibid, 33.

children and youth. Child care, school-age care, and youth programs are expected to achieve the following: meet the basic needs of children and youth in a safe, healthy, and nurturing environment; recognize the individual differences of children and youth; provide an environment that encourages child and youth self-confidence, curiosity, creativity, and self-discipline; employ competent and well-trained personnel; support parents in the care and development of their children/youth; and provide referrals to family support programs, education, health, and recreation programs.³¹⁹

DoD CYSS programs support military family quality of life within the context of a demanding and mobile military lifestyle. The factors that make child care and youth supervision options particularly important to military families include:

- young families with children who live away from their own families
- large numbers of infants and toddlers who have the least available care on or off the installation
- military duties requiring child care and youth supervision 10-14 hours per day including early morning, weekends, and 24 hours a day, 7 days a week care for extended periods of time
- lack of options at remote sites and overseas
- dual and single military parents, along with large numbers of parents whose spouses are deployed, temporarily resulting in single-parent situations³²⁰

In a statement before the Congress, the Director of Army Child and Youth Services noted, “Quality child and youth programs allow Service members to focus on their mission, knowing their children are learning and are well cared for in our child care programs and their teens are adjusting well to new schools. Military child care and youth programs are an incalculable force multiplier.”³²¹

Child and Youth programs have evolved into an integrated system that supports eligible children and youth from birth to 18 years of age, with a variety of options, both on and off installations.³²² Services are primarily provided in DoD child development centers, school age facilities, youth centers, and in authorized military Family Child Care homes on and off the installation.³²³ The programs offer full-day, part-day, before- and after-school, summer, and hourly and extended care options. Full-time, 24 hours a day, 7 days a week care, and long term options meet unique mission requirements.³²⁴ All military programs must meet DoD certification standards, the equivalent of state licensing, and be nationally accredited.³²⁵ Off-installation

³¹⁹ Child Development Programs (CDPs), DoDI 6060.2, 4 (1998). School-Age Care (SAC) Program, DoDI 6060.3, 2 (1996). Department of Defense (DoD) Youth Programs (YPs), DoDI 6060.4, 11 (2004).

³²⁰ Statement made by M.-A. Lucas, Director, Army Child and Youth Services before the Personnel Subcommittee and Children and Families Subcommittee of the Health, Education, Labor and Pensions Committee, United States Senate, First Session, 108th Congress, 134, June, 24, 2013.

³²¹ Ibid.

³²² See generally Kate Pomper, Helen Blank, Nancy Duff, and Karen Schulman, *2004 Follow-Up Be All That We Can Be: Lessons from the Military for Improving Our Nation’s Child Care System* (Washington, D.C.: National Women’s Law Center, 2004), 1.

³²³ See generally Child Development Programs (CDPs), DoDI 6060.2 (1998). School-Age Care (SAC) Program, DoDI 6060.3 (1996). Department of Defense (DoD) Youth Programs (YPs), DoDI 6060.4 (2004).

³²⁴ Ibid.

³²⁵ Ibid.

community-based programs need to meet standards outlined by DoD in formal agreements and contracts.³²⁶

Child care and youth supervision programs have been repeatedly linked to Service member and family readiness, as well as force retention. In 2013, approximately 44 percent of active-duty Service members were parents supporting a total of more than 1.2 million children. Among those military children, 43 percent were five years old and younger and 35 percent were 6-12 years old. More than half of active-duty spouses (52 percent) are also employed. The DoD Child Development Program System of care serves more than 200,000 military children daily from birth to 12 years of age, operating more than 750 Child Development Centers and School-Age Care facilities at more than 300 locations worldwide, as well as approximately 4,400 Family Child Care homes.³²⁷

To meet the demand for DoD-operated child care, the first goal is to assist personnel who are parents of children younger than the age of six, or who are full-time students, in locating at least one affordable option for quality child care.³²⁸ The second goal is to assist parents of school-age children.³²⁹ If care in the on-installation programs is unavailable, the next goal is to assist parents locate quality options off the installation.³³⁰ Lastly, whenever possible, the child development and school-age care programs support the needs of personnel for hourly and preschool programs.³³¹ If there are no full day/part day options available, a patron is placed on a waiting list.³³²

Waiting lists are managed locally by priority. First priority goes to children of active-duty military and DoD civilian personnel who are either single parents or whose spouse is a military member on active duty or is employed on a full-time basis outside of the home.³³³ A position on the waiting list is normally determined by priority and the date that the request for care was filed; however, the installation commander can identify additional, mission-related, factors to be considered in this process.³³⁴

5.1.9.2.1.1. Child Development Program (CDP)

The Child Development Program (CDP) provides a collection of child care services to assist military and civilian personnel when balancing the competing demands of family life and the accomplishment of the DoD mission, and improve the economic viability of the family unit. Per DoD Instruction 6060.2, "Child care is not considered an entitlement."³³⁵ Children of DoD personnel receive child care services in child development facilities, including contract locations, family child care homes, and alternative locations. The children range from birth through 12 years of age. These

³²⁶ "Community-based Child Care for Military Families through Child Care Aware of America," Military OneSource, accessed June 1, 2014, http://www.militaryonesource.mil/cyt/child-care-options?content_id=267337. Lodging Policy, DoDI 1015.11, 2 (2011).

³²⁷ Department of Defense, *Annual Report to Congress on Plans for DoD for Support of Military Family Readiness, FY 2013*, 8, received from Department of the Army, e-mail to MCRMC, June 1, 2014.

³²⁸ Child Development Programs (CDPs), DoDI 6060.2, 18 (1998).

³²⁹ *Ibid.*, 3.

³³⁰ *Ibid.*

³³¹ *Ibid.*

³³² *Ibid.*, Enclosure 2, 18.

³³³ *Ibid.*, 3.

³³⁴ "Questions and Answers: About Military Child Care Waiting Lists and Costs," Military OneSource, accessed June 2, 2014, http://www.militaryonesource.mil/12038/MOS/Articles/QA_AboutMilitaryChildCareWaitingListsAndCosts.pdf.

³³⁵ Child Development Programs (CDPs), DoDI 6060.2, 2 (1987).

programs provide care on a full-day, part-day, or hourly basis. Programs also focus on protecting the health and safety of children, promoting their physical, social, emotional, and cognitive development, and enhancing children's readiness for later school experience.³³⁶

5.1.9.2.1.1.1. Child Development Center (CDC)

Military Child Development Centers (CDCs) are located on military installations³³⁷ and provide child care for children ages six weeks to five years of age in full-day, part-day, or hourly care programs. Full-day care meets the needs of parents working outside the home who require services five hours or more per day on a regular basis, usually at least four days per week. Part-day care is generally for working parents for fewer than five hours per day and usually fewer than four days per week. Hourly care meets the needs of parents requiring short-term child care services on an intermittent basis.³³⁸

5.1.9.2.1.1.2. Family Child Care (FCC)

There are also Family Child Care (FCC) services, based in private homes, for children ages four weeks to 12 years of age. The Secretary of the Military Service concerned or Defense Agency Director and/or Commander must certify the provider as qualified.³³⁹ Services are provided for 10 hours or more per week per child on a regular basis for compensation. Care may be provided in either on- or off-installation homes.³⁴⁰

5.1.9.2.1.1.3. Community Based Child Care Programs

The DoD works with Child Care Aware® of America to make quality community-based child care more affordable and accessible to military families.³⁴¹ As a nonprofit organization, Child Care Aware® of America provides support to more than 800 state and local child care resources and referral agencies to help families throughout the United States find quality, affordable child care.³⁴² Off-installation, community-based programs are specifically designed to help military families with child care needs that cannot be accommodated through installation programs.

Child Care Aware® of America's programs assist military families with locating state licensed child care options in the community, provide assistance with child care fees, and continue that assistance for up to 60 days following deployment. Assistance is also available for up to 60 days for nonmilitary spouses looking for work. Child Care Aware® of America's website helps families find quality child care in the community where they live and assists in covering the cost so that it is commensurate with on-installation child-care fees.³⁴³

5.1.9.2.1.1.4. School-Age Care

School-Age Care (SAC) takes place in either facility-based or home-based settings for eligible children who require supervision before and after school, during duty hours, during school holidays, and during school closures. Programs are required to provide

³³⁶ Ibid, 13.

³³⁷ Armed Forces, 10 U.S.C. § 1800(1) (2014) (defining "military child development center"). See also Child Development Programs (CDPs), DoDI 6060.2, Enclosure 2, 16 (1998).

³³⁸ Child Development Programs (CDPs), DoDI 6060.2, Enclosure 2, 16 (1998).

³³⁹ Ibid, Enclosure 3, 21.

³⁴⁰ Ibid.

³⁴¹ "Community-based Child Care for Military Families through Child Care Aware of America," Military OneSource, accessed May 8, 2014, http://www.militaryonesource.mil/cyt/child-care-options?content_id=267337.

³⁴² Ibid.

³⁴³ Ibid.

safe, supervised, healthy, accountable, and age-appropriate environments for children in grades kindergarten through six for children ages five through twelve.³⁴⁴

5.1.9.2.1.2. School Transition Support

School Transition Support focuses on ensuring quality educational opportunities for military children affected by mobility, family separation, and transition. Military children generally move six to nine times during their K-12 school years, and frequently make multiple moves during high school years including their senior year. In addition to changing educational environments, they move away from their friends and experience disruptions in their routines. As they move from school to school, they may encounter different academic standards and courses, issues with access to programs, different promotion and graduation requirements, different programs for children with special needs, issues with transfer and acceptance of records, and separation from a deployed parent (or parents).³⁴⁵

School Transition Support provides programmatic strategies and resources to help transitioning military students. The school liaison staff prepares schools and installations to respond to the complexities of transitions, and to minimize the associated challenges. The collaborative efforts of school systems; national, state, and local education agencies; public- and private-sector youth service organizations; community groups; and DoD personnel establish a partnership in support of military children. The school liaison staff can also directly assist students and their parents, coordinating their efforts with local school systems and military resources.³⁴⁶ Each Service provides the funding and staff for the School Transition Support program differently. Although there is no DoD Instruction to provide overall policy guidance, each Military Service strives to meet the program goals, which include the following:

- identify barriers to academic success and develop solutions
- promote parental involvement and educate local communities and schools regarding the needs of military children
- develop and coordinate partnerships in education
- provide parents with the tools they need to overcome obstacles to education that stem from the military lifestyle³⁴⁷

5.1.9.2.1.3. Youth Programs

Youth Programs (YPs) offer opportunities for children and youth, from kindergarten through 12th grade, to develop their physical, social, emotional, and cognitive abilities in a series of planned, self-directed activities and events.³⁴⁸ These activities are designed to support the acquisition of lifelong skills and facilitate transition to adulthood. Youth programs are required to provide a physically and emotionally safe environment that includes appropriately trained support staff in designated facilities and locations. Youth programs include Education and Youth Development,

³⁴⁴ School-Age Care (SAC) Program, DoDI 6060.3 (1996).

³⁴⁵ "All About Military K-12 Partners" Military K-12 Partners, accessed June 1, 2014, <http://www.militaryk12partners.dodea.edu/about.cfm>.

³⁴⁶ "Military K-12 partners," Department of Defense Education Activity, 4, accessed March 29, 2014, <http://militaryk12partners.dodea.edu/resources.cfm?collId=liaison>.

³⁴⁷ Ibid.

³⁴⁸ Department of Defense (DoD) Youth Programs (YPs), DoDI 6060.4, 13 (2004).

Instructional, Recreation, Youth Sports and Fitness, and Youth Sponsorship.³⁴⁹ Per DOD Instruction 6060.4, “Youth programs are not considered an entitlement.”³⁵⁰

YPs operate as an element of the Morale Welfare and Recreation (MWR) program in collaboration with other DoD activities such as Family Support Centers, DoDEA schools, chapels, Family Advocacy Programs, health providers, and on-base law enforcement agencies.³⁵¹ Partnerships with community organizations may be offered to enhance and expand opportunities for children and youth in the community. Examples of such organizations are the Boys & Girls Clubs of America (B&GCA), Cooperative Extension, and 4-H.³⁵²

5.1.9.2.1.3.1. Education and Youth Development Programs

Education and Youth Development programs are designed to provide youth with skills to enhance their interests and abilities. The target population are youth who are too young to hold a job and too young to drive. These programs focus on citizenship, character building, public speaking, and leadership.³⁵³

5.1.9.2.1.3.2. Instructional Programs

Instructional programs provide opportunities to develop new skills and learn in hands-on, informal settings.³⁵⁴ They are designed to complement, expand, and support the academic, life skills, and athletic experience of children and youth.³⁵⁵ These programs are typically fee-for-service options and are offered in classes that appeal to the interests of children and youth. Music, dance, gymnastics, martial arts, photography, woodworking, science and technology, gardening, health and safety cooking, babysitting, SAT prep, and tutoring may be available depending on the Military Service and location.³⁵⁶

5.1.9.2.1.3.3. Recreation Programs

Recreation programs provide opportunities for youth to engage in open recreation activities, through which they have an opportunity to learn and socialize in a safe, supervised location with their friends. Open activities may include computer labs, athletic games, dancing, board games, and watching videos. Activities are available for various interests, but are not necessarily directed with staff leading the session.³⁵⁷ These programs take place in youth centers or at a variety of MWR facilities, such as golf courses and bowling centers.³⁵⁸

5.1.9.2.1.3.4. Youth Sports and Fitness Programs

Youth sports and fitness programs provide opportunities for children and youth (ages 3-18 years) to engage in fun physical activities and to develop lifelong healthy habits. A variety of traditional and nontraditional sports, games, and activities teach

³⁴⁹ Ibid.

³⁵⁰ Ibid.

³⁵¹ Ibid, 14.

³⁵² Ibid.

³⁵³ “An Overview of Children and Youth Programs,” Military OneSource, accessed February 20, 2014, http://www.militaryonesource.mil/cyt?content_id=267586.

³⁵⁴ Ibid.

³⁵⁵ “Children, Youth & Teens,” Military OneSource, accessed June 1, 2014, <http://www.militaryonesource.mil/cyt/>. See also Military Service websites: <http://www.afyouthprograms.com>; <http://www.myarmyonesource.com/>; <http://www.militaryonesource.mil/navy>; <http://www.militaryonesource.mil/marines>.

³⁵⁶ Ibid.

³⁵⁷ Ibid.

³⁵⁸ Ibid.

sportsmanship, team building, goal setting, and self-discipline, along with the values of good sportsmanship and teamwork. Sports and fitness programs use standardized programs and curriculum from the National Alliance for Youth Sports, 4-H, “CHARACTER COUNTS!” and B&GCA. Activities include team sports, individual sports, fitness and health, and outreach to private-sector organizations for intramurals and skill building.³⁵⁹

5.1.9.2.1.3.5. Youth Sponsorship

Each military installation is required to have “a Youth Sponsorship program to facilitate the integration of dependent children of members of the Military Services into new surroundings when moving to that military installation as a result of a parent’s permanent change of station.”³⁶⁰ Programs vary at each location but are primarily directed toward preteens and teens who are new to an installation as a result of a parent’s PCS.³⁶¹

CYSS Beneficiaries

DoD instructions provide detailed eligibility information for CDPs, SAC, and YPs.³⁶² Patron eligibility differs among the child development and school-age programs and the youth programs.

Eligible patrons of CDPs and SAC include children from birth to 12 years of age³⁶³ of the following:

- active-duty military personnel from the Army, Navy, Air Force, Marine Corps, and U.S. Coast Guard
- DoD civilian personnel paid from both appropriated and non-appropriated funds
- Reservists on active duty or during inactive duty personnel training
- DoD contractors³⁶⁴

Eligible patrons of YPs include children and youth in grades K–12 of:

- active-duty uniformed Service members
- members of Reserve Components (Ready Reserve, National Guard, Reservists in training)
- Reservists on active duty or during inactive-duty training
- other uniformed service retirees
- others separated from Military Services
- former and/or surviving spouses
- other supporters of DoD (as authorized)
- DoD civilian personnel paid from appropriated and non-appropriated funds
- DoD contractors³⁶⁵

³⁵⁹ Ibid.

³⁶⁰ Armed Forces, 10 U.S.C. § 1785.

³⁶¹ Ibid.

³⁶² Child Development Programs (CDPs), DoDI 6060.2, Enclosure 2, 16 (1998). School-Age Care (SAC) Program, DoDI 6060.3 (1996). Department of Defense (DoD) Youth Programs (YPs), DoDI 6060.4 (2004).

³⁶³ Child Development Programs (CDPs), DoDI 6060.2, Enclosure 2, 13 (1998).

³⁶⁴ Child Development Programs (CDPs), DoDI 6060.2, Enclosure 2, 2-3 (1998). School-Age Care (SAC) Program, DoDI 6060.3, 3 (1996).

³⁶⁵ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 21 (2011).

CYSS Historical Context

Originally, military child care services were provided through parent cooperatives, “wives clubs,” or other private organizations.³⁶⁶ Child care was operated mainly as babysitting on an hourly basis.³⁶⁷ In 1978, DoD issued a directive recognizing child care as an official MWR activity.³⁶⁸ Individual Services developed programs, policies, and standards, and individual installations established their own operating procedures and fees.³⁶⁹ In the 1980s, GAO reports³⁷⁰ and Congressional hearings³⁷¹ exposed military child care as substantially flawed in several key areas. These included insufficient capacity to meet the needs of a changing workforce; unsafe and unsuitable facilities; reports of child abuse by caregiving personnel; lack of adequate standards or inspections; untrained, under-compensated staff with high turnover; and inability of parents to pay for care.³⁷²

The Congress passed the Military Child Care Act of 1989 (MCCA) to improve the availability, management, quality, and safety of child care provided on military installations.³⁷³ The MCCA established program standards for the operation of child care facilities. These include the following:

- an increase in the military’s mandated contribution to the operation of CDS, to a 50 percent match between appropriated funds and parent fees.³⁷⁴
- a pay increase for child care employees directly involved in providing care
- employment preference for military spouses
- uniform parent fees based on family income
- expanded child abuse prevention and safety
- parent partnerships with CDCs
- a report on the five-year demand for child care
- subsidies for family home day care
- early childhood education demonstration program (accreditation required by a national early childhood accrediting body)³⁷⁵

DoD transformed its child care program from one that was plagued with allegations of abuse and poor conditions into an exemplary model of affordability to parents and DoD, with availability across the Military Services, and high quality.³⁷⁶ The National Women’s Law Center conducted an evaluation of the program after DoD addressed the issues and concluded that standards were applied and rigorously enforced through

³⁶⁶ U.S. General Accounting Office, *Report to the Secretary of Defense, Military Child Care Programs: Progress Made, More Needed*, 1982, 1, <http://www.gao.gov/assets/140/137668.pdf>.

³⁶⁷ U.S. General Accounting Office, *Report to Congressional Requestors, Military Child Care: Extensive, Diverse, and Growing*, 12 (1989) accessed June 1, 2014, <http://www.gao.gov/assets/140/137668.pdf>.

³⁶⁸ Funding of Morale, Welfare, and Recreation (MWR) Programs, DoDD 1330.2 (1978) (subsequently canceled).

³⁶⁹ U.S. General Accounting Office, *Report to the Secretary of Defense, Military Child Care Programs: Progress Made, More Needed*, 1982, 1, <http://www.gao.gov/assets/140/137668.pdf>.

³⁷⁰ Ibid. U.S. General Accounting Office, *Report to Congressional Requestors, Military Child Care: Extensive, Diverse, and Growing* (1989).

³⁷¹ U.S. General Accounting Office, *Report to the Secretary of Defense, Military Child Care Programs: Progress Made, More Needed*, 1982, 3, <http://www.gao.gov/assets/140/137668.pdf>.

³⁷² Ibid.

³⁷³ Department of Defense Authorization Act of 1989, Pub. L. No. 101-189, 103 Stat. 1352 (codified as amended at Armed Forces, 10 U.S.C. §§ 1791 to 1798 (1999)).

³⁷⁴ Child Development Programs (CDPs), DoDI 6060.2 (1993).

³⁷⁵ National Defense Authorization Act for FY 1996, Pub. L. No. 104-106, § 568, 110 Stat. 186, 330 (1996).

³⁷⁶ See generally Kate Pomper, Helen Blank, Nancy Duff, and Karen Schulman, 2004 Follow-Up Be All That We Can Be: Lessons from the Military for Improving Our Nation’s Child Care System (Washington, D.C.: National Women’s Law Center, 2004), 1.

inspections and national accreditation requirements and that caregiving personnel received systematic training and adequate compensation.³⁷⁷ It was noted that offset funding assists parents in affording the child care they need.³⁷⁸

CYSS Financial Summary

In FY 2013, DoD spent \$970 million in appropriated funds on CYSS programs.³⁷⁹ This included funding for child development and youth programs. DoD Components that provide a DoD child development facility-based program must operate, maintain, and fund such programs with direct APF at least equal to the amount of fees they collect from users.³⁸⁰ DoD Instruction 6060.2 states, “The DoD Component shall ensure the amount of direct APF support used for operation of DoD facility-based child care programs is not less than the amount of child care fee receipts.”³⁸¹

The Secretary of Defense is authorized to prescribe regulations establishing fees to be charged at military development centers.³⁸² For full-day child development centers and school-age care, DoD establishes a range for user fees based on total family income (TFI) categories.³⁸³ Each Military Service issues more specific fee guidelines, including exceptions to the fee schedule.

Table 9 shows military child care fee ranges for 2012-2013 (FY 2013). Based on this DoD guidance, weekly fees can range from \$140 per week (for TFI above \$126,900) down to \$52 per week (for TFI of \$29,865 or lower).³⁸⁴

³⁷⁷ Ibid, 3-6.

³⁷⁸ Ibid, 7.

³⁷⁹ “Budget Materials,” Department of Defense, Undersecretary of Defense Comptroller, accessed June 12, 2014, <http://comptroller.defense.gov/BudgetMaterials.aspx>. Department of the Army, *Fiscal Year 2015 President’s Budget*, Submission, 30, 33, 36, 37, accessed June 12, 2014, <http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/opmaint/oma-v2.pdf>. Department of the Navy, *Fiscal Year 2015 Budget Estimates*, 5, accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMN_Vol2_BOOK.pdf. Department of the Navy, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Marine Corps Data Book*, 6, 7, 8, accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMMC_Vol2_BOOK.pdf. Department of the Air Force, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Air Force*, 9, accessed June 12, 2014, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-081.pdf>. Additional information regarding MWR funding provided by the U.S. Coast Guard, e-mail to MCRMC, March 25, 2014.

³⁸⁰ Child Development Programs (CDPs), DoDI 6060.2, 4-5 (1995).

³⁸¹ Ibid, 24.

³⁸² Armed Forces, 10 U.S.C. § 1793(a).

³⁸³ Ibid.

³⁸⁴ Frederick E. Vollrath, Assistant Secretary of Defense for Readiness and Force Management, Department of Defense Memorandum, *Subject: Department of Defense (DoD) Child Development Program Fee Ranges for School Year (SY) 2012-2013*, Attachment 2.

Table 9. Child Development Program Fee Ranges
School Year 2012-2013 (FY 2013)

| Category | Family Income | Weekly Fee Per Child |
|----------|-----------------------|----------------------|
| I | \$0 – \$29,865 | \$52 - \$58 |
| II | \$29,866 – \$36,264 | \$67 - \$73 |
| III | \$36,265 – \$46,930 | \$84 - \$89 |
| IV | \$46,931 – \$58,662 | \$98 - \$103 |
| V | \$58,663 – \$74,661 | \$112 - \$119 |
| VI | \$74,662 – \$86,343 | \$126 - \$130 |
| VII | \$86,344 – \$101,580 | \$134 |
| VIII | \$101,581 – \$126,975 | \$137 |
| IX | \$126,976 + | \$140 |

Child and youth programs are a Category B MWR activity, staffed and operated by DoD personnel and contractors.³⁸⁵ Accordingly, the targeted level of appropriated funding for the operations of YPs is at least 65 percent.³⁸⁶

5.1.9.2.2. Community Programs

Community programs provide opportunities for the general enjoyment of the installation community, and they tend to build a sense of community and relieve stress.³⁸⁷ Activities may include fun runs, carnivals, and festivals.

5.1.9.2.3. Cable and/or Community Television

Cable and/or community television services are provided to common areas on military installations.³⁸⁸ Common areas may include community centers, fitness centers, and family centers.

5.1.9.2.4. Recreational Information, Tickets, Tours, and Travel Services

The DoD Information, Tickets, Tours, and Travel Services program provides economic opportunities for Service members and their families to satisfy their needs for national, regional, and local travel, tours, attractions, and events.³⁸⁹ Military members and families can purchase reduced-price tickets to attend events in the surrounding community or on vacation travel.

5.1.9.2.5. Recreational Swimming

These aquatic programs take place in a stand-alone recreational facility that is not adjacent to, or part of a fitness center.³⁹⁰ They provide opportunities for recreational swimming activities and lap swimming.

5.1.9.2.6. Category B Recreation Centers

Category B recreation centers are available to Service members and their families; however, the MWR programs offered in these centers target the DoD community as a

³⁸⁵ Youth Programs (YPs), DoDI 6060.4, Enclosure 3, 13 (2004).

³⁸⁶ Ibid, 13-14.

³⁸⁷ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 26 (2011)

³⁸⁸ Ibid. See also Military Family Readiness, DoDI 1342.22, 7 (2012).

³⁸⁹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 26 (2011).

³⁹⁰ Ibid, 27.

whole. These centers accommodate diverse services and are designed for flexibility to accommodate changing community interests and needs.³⁹¹

5.1.9.2.7. Outdoor Recreation Programs

Outdoor recreation programs build a sense of community; support skill development; and promote unit cohesion, stress relief and enjoyment. A variety of programs are available depending on the location and the Military Service. Directed outdoor recreations may provide instruction and structured outdoor recreational activities. These can include archery, hunting, fishing, rappelling, hiking, scuba diving, sail boarding, backpacking, bicycling, mountain biking, boating, canoeing, and water and snow skiing. Outdoor recreation equipment checkout may also be available for directed and self-directed participation. Equipment rental fees are often used to recover all or part of the costs associated with providing these services.³⁹²

5.1.9.2.8. Boating Programs

Boating programs typically include boat checkout and lessons, and may include the operation of a marina. They may not include resale or private boat berthing. All boats and equipment must be MWR owned and operated.³⁹³

5.1.9.2.9. Camping

Camping programs provide small campgrounds with primitive or tent camping as the primary activity. They may support participation in adjacent outdoor recreational activities.³⁹⁴

5.1.9.2.10. Riding Stables

Riding stables are available at some military locations, with Government-owned or Government-leased horses used for recreational riding.³⁹⁵

5.1.9.2.11. Recreational Skill Programs

Recreational skill programs build a sense of community, promote skill development, and provide stress relief and enjoyment. These may include amateur radio, performing arts (music, drama, and theater), arts and crafts skill development, or automotive skill development.³⁹⁶

5.1.9.2.12. Bowling (16 Lanes or Less)

Bowling programs at centers having 16 lanes or fewer are Category B activities. These centers typically offer bowling, bowling instruction, open-play bowling, league bowling and tournaments, as well as food and beverages.³⁹⁷ Bowling centers with more than 16 lanes are categorized as Category C activities,³⁹⁸ as are any resale activities operated within a bowling facility (e.g., snack bar).³⁹⁹

³⁹¹ Ibid.

³⁹² Ibid.

³⁹³ Ibid.

³⁹⁴ Ibid.

³⁹⁵ Ibid.

³⁹⁶ Ibid, 28.

³⁹⁷ Ibid.

³⁹⁸ Ibid.

³⁹⁹ Ibid.

5.1.9.2.13. Sports Programs above Intramural Level

Sports Programs above the intramural level involve competition by individuals or teams representing the installation or a higher-level command. The Armed Forces Sports Council sanctions inter-Service sport competition events.⁴⁰⁰ If the Secretary of State determines that an event or game is in the best interest of the United States, then military Service members can participate. These events include national and international sporting events, such as training or national qualifying events, occurring in preparation for, and the actual participation in, the Pan American Games, the Olympic Games, the Paralympic Games, the Conseil International du Sport Militaire (CISM), or other international competitions in amateur sports. These programs do not include installation (extramural and/or intramural), command, Service, or inter-Service competitions, or preparation, training, or qualification for these competitions.⁴⁰¹

5.1.9.2.14. Service Member Techno-Activities Center

Techno-activities centers are available in a multipurpose facility where personnel can socialize and participate in individual and competitive activities for a fee. Targeted at junior active-duty personnel, these centers accommodate diverse services and sufficient flexibility to allow modifications based on changing technology, trends, interest, and needs. These centers are available to active-duty personnel and their accompanied guests, 18 years of age and older.⁴⁰²

5.1.9.3. CATEGORY C - REVENUE GENERATING PROGRAMS

Category C MWR programs are distinguished by their ability to generate significant revenue. “These highly desirable programs provide recreational activities that contribute to building a sense of community and enjoyment. Activities in this group have the business capability of generating enough income to cover most of their operating expenses, but they lack the ability to sustain themselves based purely on their business activity. Consequently, these activities receive limited APF support.”⁴⁰³ Additional guidance on funding is provided for programs operated in remote and isolated locations, and operations during heightened security levels. Examples of Category C MWR programs include the following:⁴⁰⁴

5.1.9.3.1. Hospitality and Lodging

The MWR hospitality programs provide dining options that are distinct and separate from military dining facilities (used to support subsistence feeding/essential dining). Similarly, recreational lodging options are provided that are distinct from official lodging, and focus primarily on unofficial travelers and their families. Official lodging (for travelers on TDY/PCS orders) can be made available to unofficial travelers on a space-available basis.⁴⁰⁵ This category includes the following:

- Joint Service Facilities (JSFs) and Military Service Recreation Centers (MSRCs) provide rest and recreational activities in a resort setting. These facilities are each operated by a single Service, but they are available for use by all Military

⁴⁰⁰ Ibid.

⁴⁰¹ Armed Forces Participation in National and International Sports Activities, DoDI 1330.4 (2010).

⁴⁰² Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 28 (2011).

⁴⁰³ Ibid, 29.

⁴⁰⁴ Ibid.

⁴⁰⁵ Lodging Policy, DoDI 1015.11, 3 (2011).

members. They include AFRCs, major hotel operations, and recreational sites.⁴⁰⁶

- Food, beverage and entertainment programs include restaurants, snack bars, limited-menu operations, social catering, themed-food operations, and entertainment programs.⁴⁰⁷
- Recreational lodging programs offer lodging facilities and services including camping, hotel-like lodging, cabins, cottages, trailers, and trailer and/or recreational vehicle parks generally occupied by unofficial travelers.⁴⁰⁸
- PCS lodging programs provide lodging facilities and services that meet the needs of active-duty members and their families who are in PCS status. Normally these facilities include kitchen facilities.⁴⁰⁹

Additional details on lodging programs can be found in the Military Lodging section of this report—Section 5.1.8 Military Lodging.

5.1.9.3.2. Special Interest Programs

Certain, specialized programs appeal to a limited audience, and are only operated in areas where interest and adequate user fees support them. Examples include flying, parachuting and sky diving, rod and gun activities, scuba and diving, and horseback riding.⁴¹⁰

5.1.9.3.3. Other Revenue Generating Programs

Other revenue-generating MWR programs provide a variety of entertainment and recreational opportunities. Examples of these include resale programs; amusement and recreational machines and/or gaming, bowling alleys with more than 16 lanes, golf courses, marinas (resale or private boat berthing and storage), equipment rental, party and catering equipment, maintenance and construction equipment, base theater film programs, vehicle storage, and commercial-grade aquatics centers.⁴¹¹

Beneficiaries

Eligible patrons of MWR programs are categorized in two ways: those with unlimited access and those with limited access.⁴¹² Unlimited access to MWR programs is provided to uniformed Service members, retirees, Congressional Medal of Honor recipients, some disabled and involuntarily separated veterans, former and/or surviving spouses and their families, as specified in DoD Instruction 1015.10. Unlimited access is also granted to DoD and Coast Guard civilians (and their family members) when stationed outside the United States and others meeting specific conditions.⁴¹³ Additional details are provided in Table 10.

⁴⁰⁶ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 29 (2011).

⁴⁰⁷ Ibid.

⁴⁰⁸ Ibid, 30.

⁴⁰⁹ Ibid.

⁴¹⁰ Ibid, 30-31

⁴¹¹ Ibid.

⁴¹² Ibid, 20.

⁴¹³ Ibid, 21.

Table 10. Groups Authorized Unlimited Use of All MWR Programs⁴¹⁴

| Category | Authorized Group |
|--|---|
| Uniformed Service members and their family members | <ul style="list-style-type: none"> Members on active duty (Army, Navy, Air Force, Marine Corps, and Coast Guard). Members of the Reserve Components (Ready Reserve and National Guard; Reservists in training). Cadets of Service Academies and U.S. Merchant Marine Cadets. Members of the Commissioned Corps of the Public Health Service and the Commissioned Corps of the National Oceanic and Atmospheric Administration on active duty. |
| Other uniformed Service retirees and their family members | <ul style="list-style-type: none"> Retired from active duty. Retired from the Reserve Components with pay and retired without pay. |
| Others separated from the Military Services and their family members | <ul style="list-style-type: none"> Honorably discharged veterans with 100 percent, Service-connected disability and involuntarily separated Service members under the Transition Assistance Management Program. Medal of Honor recipients. |
| Former and/or surviving spouses and family members | <ul style="list-style-type: none"> Un-remarried surviving spouses of personnel who died while on active duty or while in retired status. Unremarried former spouses who were married to Military Service members for at least 20 years while the Service member was on active duty. Surviving children of Service members who have not been adopted by new parents and are younger than 21 years old (or older if they are incapable of supporting themselves, or younger than 23 years old if they are in full-time study). |
| DoD and Coast Guard civilians and their family members | <ul style="list-style-type: none"> When stationed outside the United States. |
| Other supporters of DoD | <ul style="list-style-type: none"> U.S. Federal employees when assigned in areas outside the United States. Medical personnel under contract to the Military Services during periods when they are residing on the installation. Military and civilian personnel of foreign nations and their family members when on U.S. military orders assigning them to the United States or in overseas areas when the major command commander grants privileges in the best interest of the United States. Paid members of the American Red Cross, YMCA, YWCA, United Service Organization, and other Type 1 private organizations identified when assigned with the Military Services outside the United States. U.S. citizens employed by firms under contract to DoD working on an installation when assigned in areas outside the United States. |

Limited access to MWR programs can be granted at the discretion of the installation commander to eligible patrons based on local demand and capacity.⁴¹⁵ Special restrictions apply to the resale of food, state tax-free beverages, tobacco products, and

⁴¹⁴ Ibid.

⁴¹⁵ Ibid, 20.

other MWR resale items.⁴¹⁶ Eligible groups include DoD and Coast Guard civilians and family members (including retirees and their family members) as well as various support personnel who meet specific requirements (e.g., DoD contract personnel and technical representatives, MHPI employees, residents and employees of privatized Army lodging, foreign national employees).⁴¹⁷ Approved, invited, and accompanied guests, and in some cases, members of the public, can also be provided limited access.⁴¹⁸ Additional details are provided in Table 11.

*Table 11. Groups Authorized Limited Use of Military MWR Activities -
Authorized by Installation Commanders⁴¹⁹*

| Category | Authorized Group |
|---|---|
| U.S. DoD and Coast Guard civilians and family members (including retirees and their family members) | <ul style="list-style-type: none"> Appropriated Fund, Nonappropriated Fund, and retired DoD and U.S. Coast Guard civilians. |
| DoD contract personnel and technical representatives | <ul style="list-style-type: none"> Working full time on the installation. |
| Others associated with DoD | <ul style="list-style-type: none"> Reserve Officers' Training Corps cadets when participating in field training or practice cruises. Former prisoners of war (POWs) and spouses of POWs or Service members missing in action and their family members. |
| Other non-DoD Federal employees and contractors | <ul style="list-style-type: none"> Working full-time on the installation. |
| Military Housing Privatization Initiative (MHPI) employees and residents and privatized Army lodging employees. | <ul style="list-style-type: none"> MHPI employees or residents and privatized Army lodging employees. |
| Foreign national employees | <ul style="list-style-type: none"> APF and NAF foreign national employees assigned and working directly for DoD installations overseas if not prohibited by Status of Forces Agreements (SOFAs) or other international agreements or local laws and the installation commander determines it is in the best interest of the command. Annual recertification of the employee authorization is required. |
| Guests | <ul style="list-style-type: none"> Those who are not otherwise eligible to use MWR programs, when specifically invited and accompanied by an authorized patron. Installation commanders approve local rules governing the number of guests and the frequency of use at specific facilities. |

⁴¹⁶ Ibid.

⁴¹⁷ Ibid, 22.

⁴¹⁸ Ibid.

⁴¹⁹ Ibid.

| Category | Authorized Group |
|-----------------------|---|
| Members of the public | <ul style="list-style-type: none"> • Leaders in the local community designated by the installation commander. Individuals must be recertified annually. Applicable to community leaders overseas if SOFA or other international agreements or local laws do not prohibit and the installation commander determines it is in the best interest of the command. • Members of the general public can attend infrequent MWR- sponsored events when the installation meets controls established by the DoD Component. • Members of the general public within the United States and its territories and possessions may use Category C programs on a continual basis when the established criteria has been met and specifically approved by the Secretary of the Military Department, who may further delegate this approval authority to a flag officer or Senior Executive Service (SES) equivalent of the Military Service headquarters staff, but no further. • Sponsored visitors to the installation may use MWR food and beverage activities. |

Note 1. Motion picture patronage shall be in accordance with non-theatrical licensing agreements negotiated separately by the Military Service.

Note 2. At a minimum:

- Commander determines that adequate facilities are available and currently underutilized by authorized patrons.
- Written agreements are obtained from local government officials or other appropriate community leaders indicating that they have no objections to expanded use of military MWR programs.
- Allowing these individuals to use these facilities is beneficial to both the military members and civilians in the community.
- No conflict exists with Federal, State, or local laws.

When MWR facilities cannot accommodate all authorized patrons, the installation commander determines specific use priorities, based on unlimited use and limited use. Members of the Ready Reserve and Retired Reserve, including those who have qualified for retired pay at age 60 but have not reached age 60, can use Category C activities (revenue generating) on the same basis as members on active duty.⁴²⁰

Historical Context

DoD recognizes the MWR Program as essential for creating and maintaining the morale of military personnel.⁴²¹ The Services have provided essential food, lodging and support services for Service members for many years. The MWR program, however, did not exist until the start of the 20th century. From the founding of the Army in 1775 to 1876, there were unofficial and informal forms of troop support such as the tradesmen who provided meals, clothing, and laundering, and trading posts that provided goods for purchase. In the 1870s the Congress provided limited oversight for “post traders” and the Army established Post Exchanges (PXs), supporting recreational activities for troops from their profits.⁴²² This relationship between exchanges and MWR programs continues to today.

⁴²⁰ Ibid, 20.

⁴²¹ Ibid, 24.

⁴²² Joanne Marshall-Mies, David Westhuis, and Richard Fafara, “U.S. Army Morale Welfare Recreation (MWR) Programmes: Links to Readiness and Retention,” *Res Militaris (European Journal of Military Studies)*, vol. 1, no. 3 (2011), accessed June 19, 2014, http://www.resmilitaris.net/ressources/10144/30/res_militaris_-_us_army_morale_welfare_and_recreation_mwr_programmes.pdf, See also John A. Wickham, *White Paper: The Army Family* (Washington, DC: Department of the Army, 1983). See also Eric K. Shinseki, *The Army Family* (self published, 2003).

The 20th century saw many changes in MWR programs across all the Military Services. In 1903, the Congress authorized the Army to build, operate, and maintain PXs, libraries, schools, recreation centers, and gyms for Service members. The Army established the Morale Division in 1918, the Army Motion Picture Service in 1920, and the Library Service in 1923. The establishment of these organizations led to the creation in 1941 of “Special Services.”⁴²³ Similar developments occurred in the Navy, Air Force, and Coast Guard.

In the Army, the Army Morale Division became known as Special Services, and by 1943 this organization encompassed Army Recreation Services, the Army Exchange, and the Army Soldier Show. By the end of World War II, Special Services established the first AFRC, a military resort facility, in Bavaria, Germany.⁴²⁴

Services for families, rather than just Service members, began to emerge in the mid to late 1960s. Emphasis on family and MWR support continues today as programs to build both Service member and family resilience emerge in the MWR arena. DoD’s Total Force Fitness (TFF) initiative focuses on a holistic approach that incorporates social, physical, psychological, and spiritual aspects.⁴²⁵ A similar effort under the MWR umbrella is the Healthy Base Initiative. It focuses on improved nutritional choices, increased physical activity, obesity reduction, and decreased tobacco use. The Healthy Base Initiative is part of Operation Live Well, the DoD program that supports the National Prevention Strategy of improving Americans’ health and well-being through a prevention-oriented approach.⁴²⁶ These initiatives incorporate Service members and their families, and are generally implemented through the MWR organization and structure.⁴²⁷

Financial Summary

In FY 2013, DoD MWR programs received \$2.05 billion in appropriated funds of which \$970 million was provided for Child and Youth Services.⁴²⁸ The total cost of these programs was higher, but the remaining costs were covered by the nonappropriated funds collected as fees from patrons and nonappropriated funds contributed by the Service exchanges as dividends.

MWR programs fall into three categories based on their purpose and relevance to the organizational mission. Programs are funded based on that categorization. Table 12

⁴²³ Ibid.

⁴²⁴ Ibid.

⁴²⁵ Chairman’s Total Force Fitness Framework, Chairman of the Joint Chiefs of Staff Instruction 3405.01, 1, Enclosure B, B-1 (2011) directive current as of 23 Sep 2013.

⁴²⁶ “Healthy Base Initiative,” Military OneSource, accessed June 1, 2014, <http://www.militaryonesource.mil>.

⁴²⁷ “Achieving Resilience through Morale, Welfare, and Recreation Programs,” Military OneSource, accessed May 28, 2014, http://www.militaryonesource.mil/mwr/overview?content_id=271534.

⁴²⁸ “Budget Materials,” Department of Defense, Undersecretary of Defense Comptroller, accessed June 12, 2014, <http://comptroller.defense.gov/BudgetMaterials.aspx>. Department of the Army, *Fiscal Year 2015 President’s Budget Submission*, 25, 26, 27, 32, 33, 36, accessed June 12, 2014, <http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/opmaint//oma-v2.pdf>. Department of the Navy, *Fiscal Year 2015 Budget Estimates*, 2, 3, 4, 6, , accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMN_Vol2_BOOK.pdf. Department of the Navy, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Marine Corps Data Book*, 1, 3, 4, 5, 8, accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMMC_Vol2_BOOK.pdf. Department of the Air Force, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Air Force*, 9, 10, 11, accessed June 12, 2014, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-081.pdf>. Department of the Air Force, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Air Force Reserve*, 68, accessed June 12, 2014, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-012.pdf>.

summarizes the categories, their purpose, the target level of APF funding, and the included programs.⁴²⁹ “The basic funding standard, regardless of category, is to use APF to fund 100 percent of costs for which they are authorized.”⁴³⁰ Note that in remote or isolated locations, Category C programs can be approved to receive the same level of APF funding as Category B. This funding exception is also possible when the programs are inaccessible to eligible patrons due to security concerns.⁴³¹

Table 12. Summary of MWR Categories

| CAT | Description | Programs | Funding |
|-----|--|---|---|
| A | Mission Sustaining Programs: Programs that promote the mental and physical well-being of military personnel. The programs support accomplishing the basic military mission and are considered an essential part of meeting the Military Services’ organizational objectives. | <ul style="list-style-type: none"> • Armed Forces entertainment • motion pictures (free) • physical fitness • aquatic training • libraries and information services • on-installation parks and picnic areas • basic social recreation programs • single Service member programs • Category A recreation centers (military personnel) • shipboard, company, and/or unit-level programs • sports and athletics programs and activities • WFS (warfighter and family services) | <p>“They shall be supported almost entirely with APF, with the use of NAF limited to specific instances where APF support is prohibited by law or where the use of NAF is essential for the operation of a facility or program. Programs in this category have virtually no capacity for the generation of NAF revenues.”</p> <p>DoD fiscal standards for MWR: Minimum standard for APF = 85%</p> |
| B | Basic Community Support Programs: Programs that satisfy the basic psychological and physiological needs of Service members and their families. Similar to Category A programs, they support mission accomplishment. They provide community support systems which serve the mobile military population. As far as possible, DoD installations become temporary hometowns. | <ul style="list-style-type: none"> • childcare and youth programs (child development and school age programs, youth programs) • community programs • cable and/or community television • recreational info, tickets, tours, and travel services • recreational swimming • Category B recreation centers (military personnel and family members) • outdoor recreation • boating program • camping • riding stables, government-owned or leased • recreational skill programs • bowling (16 lanes or less) • sports programs above intramural level • Service member techno-activities center | <p>“These support programs should receive substantial amounts of APF support, but differ from those in Category A in part because of their ability to generate NAF revenues. That ability is limited, however, and in no case could they be sustained without substantial APF support.”</p> <p>DoD fiscal standards for MWR: Minimum standard for APF = 65%</p> |

⁴²⁹ Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 24-35 (2011). Table created by MCRMC staff from DoDI 1015.10.

⁴³⁰ Ibid, 32.

⁴³¹ Ibid, 35.

| CAT | Description | Programs | Funding |
|-----|---|--|--|
| C | Revenue Generating Programs: These programs provide recreational activities that support the community environment. | <ul style="list-style-type: none"> • hospitality and lodging • joint service facilities and military service recreation centers • food, beverage, and entertainment programs • membership and non-membership clubs • recreational and permanent change of station (PCD) lodging programs (recreational lodging programs, PCS lodging facilities) • other special interest programs (flying, parachute and sky diving, rod and gun, scuba diving, horseback riding programs and stables, other) • other revenue-generating programs (amusement and recreational machines and/or gaming, bowling over 16 lanes, golf, marinas, equipment rental, base theater film program, vehicle storage, animal kennels, aquatics centers, other) | “Activities in this group have the business capability of generating enough income to cover most of the operating expenses but they lack the ability to sustain themselves based purely on their business activity. Consequently, these activities receive limited APF support. ” |

Profits from the military exchanges (i.e., AAFES, NEXCOM, MCX, and CGES) are either invested back into the exchange system or paid as dividends to MWR accounts. In FY 2012, the Service MWR programs received approximately \$320 million in dividends.⁴³² Table 13 summarizes these contributions.

Table 13. Exchange Dividends Contributed By Exchange Systems to Service MWR Programs (FY 2012)⁴³³

| | Army and Air Force (AAFES) | Navy (NEXCOM) | Marine Corps (MCX) | Coast Guard (CGES) | Total |
|--------------|----------------------------|---------------|--------------------|--------------------|--------|
| Total | \$224M | \$43.1M | \$49.6M | \$3.6M | \$320M |

5.1.10. SERVICE MEMBER AND FAMILY SUPPORT

Service member and family support encompasses a variety of programs and services designed to enhance an individual’s quality of life. Though Service members and their families have primary responsibility for their well-being, the DoD’s organizational goals related to the recruitment, retention, morale, and operational readiness of the force enhance members’ and families’ abilities to fulfill that responsibility.⁴³⁴ The Family Readiness System (FRS), as discussed in DoD Instruction 1342.22, provides services to assist commanders, Service members, and their families in managing the competing

⁴³² Army and Air Force Exchange Service, *2012 Annual Report*, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, *Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012*, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, May 5, 2014.

⁴³³ Ibid.

⁴³⁴ Military Family Readiness, DoDI 1342.22, 2 (2012).

demands of meeting military mission requirements and family readiness.⁴³⁵ The DoD 2012 Annual Report to the Congress states, “the majority of family readiness programs are community-based, prevention-oriented, and voluntarily participated programs.”⁴³⁶

According to *Serving Military Families in the 21st Century*, “most military families adjust well to the challenges that come with military life. They demonstrate numerous strengths while responding to frequent moves, separations from extended family, deployments, and living in other countries.”⁴³⁷ “Military and family programs identify and build on families’ existing strengths.”⁴³⁸ They are available to help Service members and their families manage the challenges of daily living experienced in the unique context of military service.⁴³⁹

FRS is primarily an education and prevention effort that assists Service members, families and commanders in identifying, preventing, and addressing family-readiness related challenges to maintain unit cohesion and operational readiness.⁴⁴⁰ FRS helps the Military Services respond swiftly and effectively to the changing needs of Service members and their families during peacetime, war, periods of force structure change, relocation of military units, base realignment and closure, crisis, natural disaster, and other emergency situations.⁴⁴¹ To provide maximum exposure to FRS, diverse forms of service delivery include, but are not limited to, the Internet, telephone, outreach, and colocation of services in an easily accessible environment.⁴⁴²

The welfare and success of military families are crucial to the accomplishment of the mission of DoD. DoD programs support Service members and families across three domains of family readiness: mobilization and deployment readiness, mobility and financial readiness, and personal and family-life readiness.⁴⁴³ FRS provides a system that maximizes a network of agencies, programs, services, and individuals in a collaborative manner to promote military family readiness.⁴⁴⁴

Each Military Service provides FRS under a unique program name: Army Community Service, Navy Fleet and Family Support Center, Airman and Family Readiness Center, Marine Corps Community Services, and U.S Coast Guard Office of Work-Life.⁴⁴⁵ Coast Guard programs are described in greater detail in Section 5.2.1 of this report.

National Guard Family Assistance Centers (FACs) are available in 50 states, three territories, and the District of Columbia to provide information and referral

⁴³⁵ Ibid, 2-3.

⁴³⁶ Department of Defense, *Annual Report to the Congressional Defense Committees on Plans for the Department of Defense for the Support of Military Family Readiness, Fiscal Year 2013*, 12, received from Department of the Army, e-mail to MCRMC, May 22, 2014.

⁴³⁷ Karen Rose Blaisure, Tara Saathof-Wells, Angela Pereria, Shelley MacDermid Wadsworth, Amy Laura Dombro. *Serving Military Families in the 21st Century*, (New York, NY: Taylor and Francis Group, 2012), 15.

⁴³⁸ Ibid.

⁴³⁹ Military Family Readiness, DoDI 1342.22, 13 (2012).

⁴⁴⁰ Ibid.

⁴⁴¹ Ibid, 3.

⁴⁴² Ibid.

⁴⁴³ Military Family Readiness, DoDI 1342.22, 2 (2012).

⁴⁴⁴ Ibid.

⁴⁴⁵ See Service-level regulations and instructions: Army Community Service, AR 608-1 (2013). Airman and Family Readiness Centers, AFI 36-3009 (2013). Family Care Plans, AFI 36-2908 (2011). U.S. Navy Family Care Policy, OPNAVINST 1740.4D (2009). Fleet and Family Support Center Program, OPNAVINST 1754.18 (2007). Family Readiness Groups, OPNAVINST 1754.5 (2006). Department of the Navy Family Support Programs, SECNAVINST 1754.1B (2005). Marine Corps Community Services Policy Manual, MCO P1700.27B (2007).

resources to Service members and military family members regardless of activation status.⁴⁴⁶

Reserve Component (RC) Family Programs deliver family readiness services through facility-based locations, via websites, and by telephone.⁴⁴⁷ While these access points deliver a limited number of direct services to members and their families, RC contacts can refer personnel to other community and installation FRS resources.⁴⁴⁸

DoD Instruction 1342.22 specifies that the following programs and services are to be made available to Service members and their families:

5.1.10.1. RELOCATION ASSISTANCE

Relocation assistance focuses on assisting Service members and families in managing the requirements of the mobile military lifestyle.⁴⁴⁹ Relocation assistance includes information, education, and referrals related to destination area preparation and settling-in; workshops and counseling; and sponsorship training services.⁴⁵⁰ Web-based relocation tools MilitaryINSTALLATIONS⁴⁵¹ and Plan My Move⁴⁵² provide installation- and community-specific information on more than 250 installations worldwide. Using these tools, Service members and their families can plan their move, estimate expenses, obtain information on housing, view household goods inventories, and use a calendar to plan moving events.

5.1.10.2. NONMEDICAL COUNSELING

Confidential, nonmedical counseling is available to help prevent situations from developing that can compromise military readiness.⁴⁵³ These programs provide short-term counseling to active-duty members, National Guard and Reserve Service members, and their families.⁴⁵⁴ Counseling is provided by professionals who possess a master's or doctoral degree in a mental health field and are licensed or certified in a state, territory or the District of Columbia to practice independently.⁴⁵⁵ Confidential, nonmedical counseling addresses issues such as improving relationships at home and

⁴⁴⁶ National Guard, 2013 National Guard Bureau Posture Statement, 27, accessed June 1, 2014, <http://www.nationalguard.mil/portals/31/Documents/PostureStatements/2013%20National%20Guard%20Bureau%20Posture%20Statement.pdf>.

⁴⁴⁷ "New to the Military," Military OneSource, accessed June 1, 2014, http://www.militaryonesource.mil/phases-new-to-the-military?content_id=266979. See also Military Family Readiness, DoDI 1342.22, 10, (charging the Assistant Secretary of Defense for Readiness and Force Management to coordinate with the Assistant Secretary of Defense for Reserve Affairs to ensure access to family readiness services by members of the RCs and their families consistent with Service regulations for the RCs.)

⁴⁴⁸ "New to the Military," Military OneSource, accessed June 1, 2014, http://www.militaryonesource.mil/phases-new-to-the-military?content_id=266979.

⁴⁴⁹ Military Family Readiness, DoDI 1342.22, 2 (2012)

⁴⁵⁰ Ibid, 14.

⁴⁵¹ "Get Started," MilitaryINSTALLATIONS, accessed April 27, 2014, <http://www.militaryinstallations.dod.mil/MOS/f?p=MI:ENTRY:0>.

⁴⁵² "Plan My Move," Military OneSource, accessed April 27, 2014, <http://apps.militaryonesource.mil/MOS/f?p=PMM:ENTRY:0>.

⁴⁵³ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 7 (2011).

⁴⁵⁴ Military Family Readiness, DoDI 1342.22, 14 (2012).

⁴⁵⁵ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 7 (2011)

work, stress management, adjustment difficulties (such as returning from a deployment), marital problems, parenting, and grief or loss.⁴⁵⁶

Eligible individuals may receive up to 12 sessions per issue.⁴⁵⁷ These sessions may be held face-to-face, online, or telephonically at no cost from both the Military OneSource and the Military and Family Life Counselor Program. Face-to-Face counseling can take place in a variety of settings depending on the needs or preferences of the person seeking assistance, counselor availability, or other factors.⁴⁵⁸

5.1.10.2.1. Military and Family Life Counseling Program

The Military and Family Life Counseling (MFLC) program provides confidential nonmedical, short-term, solution-focused counseling and briefings that augment counseling provided by the Military Services.⁴⁵⁹ These services are provided to Service members and their families, as well as DoD Civilian Expeditionary Workforce members and their families.⁴⁶⁰ These counselors can assist with a variety of issues including coping with stress, improving relationships, adjusting to a new place, and handling a situation in the workplace.⁴⁶¹

5.1.10.2.2. Military OneSource

Military OneSource (MOS) is a DoD-funded program that provides an interactive website with information, materials, moderated chats, discussion boards, blogs, podcasts, webinars, access to consultants, and referrals to local resources.⁴⁶² The information and services offered on the site are available 24 hours a day, 7 days a week, at no cost to Service members and their families.⁴⁶³ MOS enables Service members and families to contact professionally trained consultants by telephone or online to obtain information on a wide range of topics including deployment adjustment, relocation, spouse employment, special needs, and education.⁴⁶⁴ These no-cost, confidential, nonmedical, short-term counseling services are delivered through face-to-face counseling in the local community, via telephone, or through online secure chat.⁴⁶⁵ Specialty consultations, including financial counseling, spouse career consultation, wounded warrior consultations, and consultations for families with special needs, are also available.⁴⁶⁶

Crisis Assistance

MOS provides resources, so Service members and families do not have to face crisis situations alone. Professional support is available to help mitigate the risk of suicide,

⁴⁵⁶ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 7 (2011).

⁴⁵⁷ Ibid.

⁴⁵⁸ Ibid.

⁴⁵⁹ See Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 7 (2011).

⁴⁶⁰ "Stay Mentally Fit with the Military and Family Life Counselor Program," Military OneSource, accessed May 2, 2014 http://www.militaryonesource.mil/non-medical-counseling?content_id=269730. (DoDI 6490.06, Enclosure 3, ¶1(f) provides that more information on MFLC can be found at <http://www.militaryhomefront.dod.mil/service/counseling> which redirects to www.militaryonesource.mil).

⁴⁶¹ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 6 (2011).

⁴⁶² Home Page, Military OneSource, accessed April 28, 2014, <http://www.militaryonesource.mil/>.

⁴⁶³ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, 7 (2011).

⁴⁶⁴ Ibid.

⁴⁶⁵ Ibid.

⁴⁶⁶ Military Family Readiness, DoDI 1342.22 (2012). See also Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06 (2011).

post-traumatic stress, substance abuse, or other addictive behaviors.⁴⁶⁷ In addition, the MOS website provides access to information and contacts.⁴⁶⁸ Crisis assistance provides immediate, short-term assistance in response to acute crisis situations.⁴⁶⁹

5.1.10.3. PERSONAL AND FAMILY LIFE EDUCATION

Personal and family life education services provide a variety of education, prevention, and enrichment support focusing on helping families build and maintain healthy relationships, build resiliency, strengthen interpersonal competencies and problem-solving skills, and master respective roles, tasks, and responsibilities throughout the family life cycle.⁴⁷⁰ Also provided, when possible, and in collaboration with other family readiness service providers, are education and resources related to health, fitness, wellness, and nutrition.⁴⁷¹

5.1.10.4. PERSONAL FINANCIAL MANAGEMENT AND COUNSELING

Under the Family Readiness System (FRS) umbrella, DoD Instruction 1342.22 requires the delivery of personal financial management (PFM) services.⁴⁷² These are described as proactive personal life cycle financial management services that provide Service members and their families with the tools and information they need to develop individual strategies to achieve financial goals and address financial challenges.⁴⁷³ Education and training is to be delivered as a continuum of service, initially provided as a component of the Service members' entry orientation training and then through periodically recurring training across the military lifecycle.⁴⁷⁴ Service members are ultimately responsible for their personal finances and are expected to pay financial obligations in a timely manner.⁴⁷⁵ The Military Services provide PFM support to help commanders maintain unit financial readiness in an effort to sustain the mission, promote personnel readiness, and encourage retention in the military.⁴⁷⁶

PFM and Counseling services include:

- personal and family financial education
- financial information services
- assistance and targeted financial planning and financial management training to first-term Service members by specially trained counselors.⁴⁷⁷

At a minimum, each installation must designate one staff member to organize and execute financial management services.⁴⁷⁸ This person must possess a baccalaureate degree from an accredited university or equivalent work and education experience and

⁴⁶⁷ "Crisis Prevention," Military OneSource, accessed April 27, 2014, <http://www.militaryonesource.mil/crisis-prevention>.

⁴⁶⁸ Ibid.

⁴⁶⁹ Military Family Readiness, DoDI 1342.22 (2012). See also DoDD 6400.01, August 23, 2004.

⁴⁷⁰ Ibid, 14-15.

⁴⁷¹ Ibid, 15.

⁴⁷² Ibid, 14.

⁴⁷³ Ibid, 15.

⁴⁷⁴ Ibid.

⁴⁷⁵ Indebtedness of Military Personnel, DoDI 1344.09, 2 (2008).

⁴⁷⁶ Military Family Readiness, DoDI 1342.22, 15 (2012).

⁴⁷⁷ Ibid, 15-16.

⁴⁷⁸ Ibid.

a nationally recognized financial counselor certification.⁴⁷⁹ Generally, installations offer programs through financial assets approved by the installation commander and take advantage of command-based service-providers when possible.⁴⁸⁰ Programs, as applicable, must incorporate the eight service pillars identified by DoD:⁴⁸¹

- maintain good credit
- achieve financial stability
- establish routine savings
- participate in the Thrift Savings Plan and Savings Deposit Program
- sustain the Servicemember's Group Life Insurance and other insurance
- encourage low-cost loan products as an alternative to payday lending and predatory loans
- use low-cost MWR programs
- preserve security clearances

Military Saves

Military Saves is a program that encourages all Service members to save money, reduce debt, and build wealth.⁴⁸² It is a component program of America Saves and is sponsored in partnership with DoD's Financial Readiness Campaign.⁴⁸³ Service members in all active-duty and reserve branches can participate in an annual campaign called Military Saves Week, during which participants make a pledge to save part of every paycheck, create a personal financial plan, establish good credit, and participate in work-based programs aimed at promoting financial security, such as the Thrift Savings Plan, Savings Deposit Program, and Servicemembers' Group Life Insurance.⁴⁸⁴

Military OneSource Financial Counseling

The MOS website offers an array of financial management articles for Service members, divided into categories, including "The Basics," "Home and Family Finances," "Budgeting Basics," "Military Benefits," and "Protecting Your Financial Health."⁴⁸⁵ The website also provides a list of links for web pages addressing both general financial planning and military pay and benefit programs related to the financial readiness pillars.⁴⁸⁶ Service members and their spouses who seek individual financial counseling and/or referrals to support programs can call MOS directly.⁴⁸⁷ Financial consultants provided through MOS, at no cost to the Service member, can help families create a financial plan and consolidate bills.⁴⁸⁸ Daily living specialists work with families that are in financial crisis, or approaching the crisis level.⁴⁸⁹

⁴⁷⁹ Ibid.

⁴⁸⁰ Ibid.

⁴⁸¹ Ibid.

⁴⁸² "What is Military Saves?" Military America Saves, accessed April 22, 2014, <http://www.militarysaves.org/learn-more-about-us/what-is-military-saves>,

⁴⁸³ Ibid.

⁴⁸⁴ "Join a Military Community of Savers and Encourage Others to do the Same," Military Saves Website, accessed April 22, 2014, <http://www.militarysaves.org/images/stories/pdf/factsheetmsw2014.pdf>.

⁴⁸⁵ "Money Management," Military OneSource Website, accessed April 22, 2014, <http://www.militaryonesource.mil/pfm>.

⁴⁸⁶ Ibid.

⁴⁸⁷ "Financial Planning for Your Family's Financial Future," Military OneSource, accessed April 22, 2014, http://www.militaryonesource.mil/pfm?content_id=274657.

⁴⁸⁸ Interview with Military OneSource worker, April 22, 2014.

⁴⁸⁹ Ibid.

Army Financial Programs

The U.S. Army provides classes related to personal financial management readiness and consumer affairs to Soldiers and family members.⁴⁹⁰ These classes support participants in understanding banking and credit union services, developing budget and recordkeeping practices, liquidating debt, establishing and maintaining credit, understanding consumer rights and obligations, gaining financial security through insurance, and establishing personal financial readiness.⁴⁹¹

The Army implements its programs at the installation and unit level in coordination with Army Community Service Centers.⁴⁹² Financial counseling services provide members and their families with individualized assistance with tasks such as developing a budget, creating a spending plan, managing finances, and evaluating assets and liabilities.⁴⁹³ Consumer complaint resolution services help Service members and families understand the rights and protections that serve consumers, contact resources for resolving complaints, contact appropriate legal resources within the Service, draft complaint letters, and publicize agencies and businesses with unfair practices.⁴⁹⁴

The Army offers multiple programs for Service members and families who are struggling financially. All Service members undergo eligibility prescreening for the Family Subsistence Supplemental Allowance (FSSA), and eligible members receive referral back to their respective units to complete the process.⁴⁹⁵ The Army also offers debt liquidation assistance that focuses on resolving financial crisis by helping members and their families review their finances, create repayment plans, and contact creditors.⁴⁹⁶ Debt liquidation counselors support clients until their debts are liquidated, and they feel the clients can manage their finances independently.⁴⁹⁷ When necessary, counselors help clients transfer to the debt liquidation program at their new duty stations.⁴⁹⁸ Members and families may receive emergency assistance to help them avoid deprivation of basic needs to include Army Emergency Relief loans and grants and use of food lockers or vouchers.⁴⁹⁹

Although many of the programs offered by the Army are voluntary, there are some instances for which training is mandatory.⁵⁰⁰ Those who abuse or misuse check-cashing privileges must take a financial-management refresher course.⁵⁰¹ All junior enlisted members scheduled for their first PCS move receive financial training and counseling.⁵⁰² First-term and initial-term soldiers receive personal financial readiness training through their units.⁵⁰³

⁴⁹⁰ Army Community Service Center, AR 608-1, 2 (2013).

⁴⁹¹ *Ibid.*, 2.

⁴⁹² *Ibid.*, 1.

⁴⁹³ *Ibid.*, 23.

⁴⁹⁴ *Ibid.*, 23.

⁴⁹⁵ *Ibid.*, 23. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402A.

⁴⁹⁶ Army Community Service Center, AR 608-1, 2 (2013).

⁴⁹⁷ *Ibid.*

⁴⁹⁸ *Ibid.*

⁴⁹⁹ *Ibid.*, 23-24.

⁵⁰⁰ *Ibid.*, 23.

⁵⁰¹ *Ibid.*

⁵⁰² *Ibid.*

⁵⁰³ *Ibid.*

Air Force Financial Programs

The Air Force offers financial readiness programs through Airman and Family Readiness Centers.⁵⁰⁴ Services include information, education, and personal finance counseling for Air Force members and their families.⁵⁰⁵

Several circumstances exist under which financial counseling is mandatory for all Air Force personnel. For example, officer and enlisted Service members receive, within the first 90 days of arrival at their first duty station, information on the following topics: pay and entitlements; banking and checkbook management; budgeting, savings, and investments (including investing tools); insurance; credit; car buying; and state and federal liability laws.⁵⁰⁶ They also receive information about obtaining financial counseling and assistance, maintaining personal and family readiness, and avoiding local fraudulent business practices.⁵⁰⁷ Individual or group settings provide the forums for these training events.⁵⁰⁸

Navy and Marine Corps Financial Programs

Secretary of the Navy Instruction 1740.4 mandates personal financial management education, training, and counseling for both the Navy and the Marine Corps.⁵⁰⁹ Personal financial management programs address three key components:

- financial education and training
- financial information and referral
- financial counseling⁵¹⁰

Family Centers support these programs in collaboration with Command Financial Specialists.⁵¹¹ All Navy and Marine Corps personnel participate in continuum of learning throughout a sailor's and Marine's career and transition to civilian life.⁵¹² Family Centers establish personal financial management programs that encourage spouses to participate as well.⁵¹³

Financial education, training, and counseling are provided through the collaboration of two sources: the Command Financial Specialist (CFS) and the Family Center PFM staff.⁵¹⁴ Core topics to be covered by the CFS and the Family Center PFM staff include, but are not limited to, military pay issues, banking and financial services, credit management, saving and investing, consumer awareness, the basics of retirement planning, and college savings.⁵¹⁵

The Marine Corps has been revamping its financial readiness programs since 2011, when it developed a curriculum that includes 26 personal financial management

⁵⁰⁴ Airman and Family Readiness Centers, AFI 36-3009, 16 (2013).

⁵⁰⁵ Ibid.

⁵⁰⁶ Ibid.

⁵⁰⁷ Ibid.

⁵⁰⁸ Ibid.

⁵⁰⁹ Department of the Navy Personal Financial Management Education, Training, and Counseling Program, SECNAVINST 1740.4, 3-4 (2007).

⁵¹⁰ Ibid.

⁵¹¹ Ibid, 4.

⁵¹² Ibid.

⁵¹³ Ibid.

⁵¹⁴ Ibid.

⁵¹⁵ Ibid, Enclosure 4.

programs offered to Service members and their families.⁵¹⁶ Tiered financial courses began in 2014. These tiered courses are part of the Marine for Lifecycle Approach to reach Marines from boot-camp, their first permanent duty station, throughout their career, and prior to their transition out of service. There is also an Emotional Money Triggers and Readiness course that focuses on financial behaviors that will become the foundation for the USMC personal finance program.⁵¹⁷

5.1.10.5. INFORMATION AND REFERRAL PROGRAM

The Information and Referral (I&R) Program familiarizes Service members and their families with the range of services available through the FRS, making referrals to both DoD-operated and community-based resources.⁵¹⁸ I&R services also work closely with Service members and their families to identify their needs and locate services not readily available through the FRS.⁵¹⁹ When necessary, they advocate for Service member and family access to needed services.⁵²⁰

5.1.10.6. MOBILIZATION AND DEPLOYMENT SUPPORT

Mobilization and deployment support activities help Service members and their families before, during, and after deployment to promote positive adjustment to deployment, family separation, and family reunion.⁵²¹ These services educate Service members and their families about deployment-related challenges that they may face, and the services available to them to cope with such challenges.⁵²² They also provide ongoing outreach, communication, activities, and events with deploying and deployed units, Service members and their families throughout all phases of deployment to promote early identification and prevention of family problems that may compromise military or family readiness.⁵²³

5.1.10.7. SPOUSE EMPLOYMENT AND CAREER OPPORTUNITIES

The Spouse Education and Career Opportunities (SECO) program helps military spouses and other family members find public- and private-sector employment, advance careers, or start education for a portable career.⁵²⁴ The program helps military spouses understand their skills, interests, and goals to assist them in discovering available opportunities that are aligned with these personal characteristics.⁵²⁵ It also helps military spouses identify academic, licensing, or credentialing requirements that can help them reach career goals and access sources of financial assistance for such requirements.⁵²⁶ SECO counselors can assist with resume writing and interview techniques, as well as promote the hiring of military spouses through the Military

⁵¹⁶ Headquarters U.S. Marine Corps, USMC Personal Finance Briefing to MCRMC, February 12, 2014.

⁵¹⁷ Ibid.

⁵¹⁸ Military Family Readiness, DoDI 1342.22, 17 (2012).

⁵¹⁹ Ibid.

⁵²⁰ Ibid.

⁵²¹ Ibid.

⁵²² Ibid.

⁵²³ Ibid.

⁵²⁴ See generally Armed Forces, 10 U.S.C. §§ 1784-1784a.

⁵²⁵ Military Family Readiness, DoDI 1342.22, 18 (2012).

⁵²⁶ Ibid.

Spouse Employment Partnership (MSEP) and other partnerships, online career networks, job fairs, and Federal appointment authorities, as appropriate.⁵²⁷

MSEP represents an employment and career partnership connecting military spouses with military-friendly partner employers interested in recruiting, hiring, promoting, and retaining military spouses in career job openings and career ladders.⁵²⁸ This partnership includes more than 130 Fortune 500 employers, and participation in United States Chamber of Commerce Hiring Our Heroes (HOH) job fairs.⁵²⁹

5.1.10.7.1. Military Spouse Career Advancement Account

The Military Spouse Career Advancement Account (MyCAA), also known as Spouse Tuition Assistance, is a workforce development program that pays up to \$4,000 of financial assistance to eligible military spouses who are pursuing a license, certification, or associate's degree in a portable career field and occupation.⁵³⁰ The financial assistance is used for education, training courses, and licensing and credentialing fees. This assistance includes state certifications for teachers, medical professionals and other occupations requiring recognized certifications, licensing exams and related prep courses, continuing education unit (CEU) classes including those offered through professional associations, and degree programs leading to employment in portable career fields. Military spouses of junior Service members, who are serving on Title 10 orders and are in the pay grades of E-1 to E-5, W-1 to W-2, and O-1 to O-2 are eligible to apply.⁵³¹

5.1.10.8. EXCEPTIONAL FAMILY MEMBER PROGRAM

The Exceptional Family Member Program (EFMP) provides support to Service members who have family members with special medical or educational needs.⁵³² These family members may be spouses, children, or dependent parents who require special medical or educational services for a diagnosed physical, intellectual, or emotional condition.⁵³³ Each Military Service has an established EFMP to work with these families and

⁵²⁷ Ibid.

⁵²⁸ "Spouse Employment and Career Opportunities," Military OneSource, accessed April 27, 2014, <http://www.militaryonesource.mil/seco>. (DoDI 1342.22 requires Spouse Education and Career Opportunities services to include Employment connections that promote the hiring of military spouses through the Military Spouse Employment Partnership).

⁵²⁹ "Spouse Education and Career Opportunities Overview," Military OneSource, accessed May 2, 2014, http://www.militaryonesource.mil/seco?content_id=269424.

⁵³⁰ "The Military Spouse Career Advancement Accounts (MyCAA) Program," MyCAA, accessed April 27, 2014, <https://aiportal.acc.af.mil/mycaa/default.aspx>.

⁵³¹ Department of Defense, *Annual Report to the Congressional Defense Committees on Plans for the Department of Defense for the Support of Military Family Readiness, Fiscal Year 2013*, 12, received from Department of the Army, e-mail to MCRMC, May 22, 2014. See also Armed Forces, 10 U.S.C. § 1784a. See also Military Family Readiness, DoDI 1342.22 (2012).

⁵³² Military Family Readiness, DoDI 1342.22, 18 (2012).

⁵³³ DoDI 1315.19 defines "family member" the same as "dependent." DoDI 1342.22 provides that "dependent" will be given the same definition as that found in 37 U.S.C. § 401(a), which defines "dependent" as a spouse, unmarried child under 21, or a dependent parent. DoDI 1315.19 provides criteria to be used in determining when a family member is a "family member with special needs." These criteria include certain diagnosed physical, intellectual, and emotional conditions.

address their unique needs.⁵³⁴ As of 2013, DoD reported more than 128,000 military families had been enrolled in EFMP.⁵³⁵

Although enrollment in EFMP is mandatory for active-duty Service members,⁵³⁶ assistance is provided to military families with family members with special needs, regardless of the sponsor's enrollment status.⁵³⁷ Members of the National Guard or Reserves may enroll according to service-specific guidance.⁵³⁸ Enrollment in EFMP ensures a family member's documented medical and educational needs are considered during the assignment process.⁵³⁹ It also allows families to receive the support and assistance they need to navigate medical and educational systems.⁵⁴⁰

Family members with special medical or educational needs, including a spouse, child or a dependent adult, are required to enroll in the program. This includes family members who meet any of the following criteria:

- require special medical services for a chronic condition such as asthma, attention deficit disorder, diabetes, multiple sclerosis, etc.
- receive ongoing services from a medical specialist
- have significant behavioral health concerns
- receive early intervention or special education services through an individualized education program or individualized family service plan⁵⁴¹

Medical or educational professionals review a family member's documented needs to determine the availability of services at a proposed location.⁵⁴² The EFMP family support helps families identify and access programs and services.⁵⁴³ Family support includes, but is not limited to, the following:

- information and referral for military and community services

⁵³⁴ See Exceptional Family Member Program, OPNAVINST 1754.2D (2010). See also Exceptional Family Member Program, AR 608-75 (2011). See also Medical Support to Family Member Relocation and Exceptional Family Member Program, AFI 40-701 (2012). See also Exceptional Family Member Program (EFMP), MCO 1754.4B (2010).

⁵³⁵ Department of Defense Annual Report to Congress on Plans for DoD for Support of Military Family Readiness, FY 2013, 45, received from Department of the Army, e-mail to MCRMC, May 22, 2014.

⁵³⁶ See Exceptional Family Member Program, OPNAVINST 1754.2D (2010). See also Exceptional Family Member Program, AR 608-75 (2011). See also Medical Support to Family Member Relocation and Exceptional Family Member Program, AFI 40-701 (2012). See also Exceptional Family Member Program (EFMP), MCO 1754.4B (2010). (Each of these Service-level regulations provide that enrollment is mandatory for Service members who have family members with special needs.)

⁵³⁷ Military Family Readiness, DoDI 1342.22, 18 (2012).

⁵³⁸ "Exceptional Family Member Program," Military OneSource, accessed April 27, 2014, http://www.militaryonesource.mil/efmp/overview?content_id=269174.

⁵³⁹ See Exceptional Family Member Program, OPNAVINST 1754.2D (2010). See also Exceptional Family Member Program, AR 608-75 (2011). See also Medical Support to Family Member Relocation and Exceptional Family Member Program, AFI 40-701 (2012). See also Exceptional Family Member Program (EFMP), MCO 1754.4B (2010). (Each of these Service-level regulations provides that the Service will consider members' family members with special needs when assigning Service members to duty stations.)

⁵⁴⁰ See Military Family Readiness, DoDI 1342.22, 18 (2012). (Provides for education and provision of assistance to Service members and their families about the EFMP enrollment and assignment coordination process, resources, and other topics as deemed appropriate).

⁵⁴¹ Authorizing Special Needs Family Members Travel Overseas at Government Expense, DoD Criteria for Identifying a Family member with Special Needs, DoDI 1315.19, Enclosure 4 (2011).

⁵⁴² See Exceptional Family Member Program, OPNAVINST 1754.2D (2010). See also Exceptional Family Member Program, AR 608-75 (2011). See also Medical Support to Family Member Relocation and Exceptional Family Member Program, AFI 40-701 (2012). See also Exceptional Family Member Program (EFMP), MCO 1754.4B (2010). (Each of these Service-level regulations provides that the Service will consider members' family members with special needs when assigning duty stations to Service members.)

⁵⁴³ Military Family Readiness, DoDI 1342.22, 19 (2012).

- education and outreach
- referral to other family support center providers
- warm handoffs to the EFMP at the next location
- nonclinical case management, including individualized services plans⁵⁴⁴

Prior to 2010, EFMP's primary focus was on the identification and enrollment of family members with special needs as related to the personnel assignment coordination process.⁵⁴⁵ In 2010, Section 563 of National Defense Authorization Act for FY 2010 added 10 U.S.C. § 1781c, and established the Office of Community Support for Military Families with Special Needs (OSN), to enhance and improve DoD support around the world for military families with special needs.⁵⁴⁶ The law also required the expansion of the coordination of assignments to, and within, the United States for Service members who have family members with special needs and of community support to military families with special needs.⁵⁴⁷

5.1.10.9. FAMILY ADVOCACY PROGRAM

The Family Advocacy Program (FAP) works to prevent domestic violence and child abuse and neglect⁵⁴⁸ by providing public awareness, education, and family support programs for military families who have been identified as at-risk of committing child abuse or family violence.⁵⁴⁹ The program promotes early identification, advocacy, and comprehensive prevention, assessment, and support to persons who may be at risk.⁵⁵⁰ This is a coordinated effort, engaging with civilian authorities and organizations, as well as medical treatment facilities.⁵⁵¹

5.1.10.9.1. New Parent Support Program

The New Parent Support Program (NPSP) provides services to expectant parents as well as parents of children from birth to three years of age who are eligible to receive treatment in military medical treatment facilities.⁵⁵² Support is available on either a fee-paying or a non-fee-paying basis.⁵⁵³ An intensive, voluntary home visitation program service is available in response to self-referrals and referrals from health care providers and other service providers in the community to individuals whose life circumstances may place them at risk for child abuse or neglect.⁵⁵⁴ The program promotes resilient families and development of healthy parenting attitudes and skills to prevent child abuse, child neglect, and domestic abuse within the DoD.⁵⁵⁵ NPSP provides proactive outreach, strengths-based services and education, and support to

⁵⁴⁴ Ibid, 18-19. See also "Exceptional Family Member Program," Military OneSource, accessed April 27, 2014, http://www.militaryonesource.mil/efmp/overview?content_id=269174.

⁵⁴⁵ Department of Defense, *Annual Report to Congressional Defense committees on Plans for the Department of Defense on the Support of Military Family Readiness, Fiscal Year 2013*, 5, received from Department of the Army, e-mail to MCRMC, May 22, 2014.

⁵⁴⁶ National Defense Authorization Act for FY 2010, Pub. L. No. 111-84, § 563, 123 Stat. 2190, 2304-2308 (2009).

⁵⁴⁷ Ibid.

⁵⁴⁸ Armed Forces, 10 U.S.C. § 1787(b) defines "child abuse and neglect" the same way that the Child Abuse Prevention and Treatment Act, Pub. L. No. 93-247, § 3, 88 Stat. 4, 5 (1974) does: the physical or mental injury, sexual abuse, negligent treatment, or maltreatment of a child under the age of eighteen by a person who is responsible for a child's welfare under circumstances which indicate that the child's health or welfare is harmed or threatened.

⁵⁴⁹ Family Advocacy Program, DoDD 6400.01 2 (2004).

⁵⁵⁰ Ibid.

⁵⁵¹ Ibid, 3.

⁵⁵² New Parent Support Program (NPSP), DoDI 6400.05 (2012).

⁵⁵³ Ibid, 1

⁵⁵⁴ Ibid, 8.

⁵⁵⁵ Ibid, 2

families facing challenging and stressful conditions related to parenting due to deployment and other military operations.⁵⁵⁶ NPSP fosters a cross system coordination of military and civilian resources to support parents who may be at risk for child abuse or neglect or domestic abuse.⁵⁵⁷

5.1.10.10. TRANSITIONAL COMPENSATION

Transitional Compensation (TC) is a congressionally mandated program for abused dependents of military personnel.⁵⁵⁸ Legislation authorizes temporary payments for families in which the active-duty member has been separated administratively by court-martial for a dependent-abuse offense.⁵⁵⁹ The TC program offers benefits and entitlements for 12-36 months to eligible family members.⁵⁶⁰ During this benefit period, beneficiaries are provided temporary financial compensation and are eligible to continue to receive medical care, including behavioral health services, and commissary and exchange privileges.⁵⁶¹

5.1.10.11. WARFIGHTER FAMILY SERVICES AS A MORALE WELFARE RECREATION ACTIVITY

Military Services have the discretion to provide Military Family Readiness programs as a Category A MWR program known as Warfighter Family Services (WFS).⁵⁶²

5.1.10.12. EMERGENCY FAMILY ASSISTANCE

Emergency Family Assistance (EFA) is part of a military installation's overall emergency plan.⁵⁶³ The plan establishes an organized response and processes to follow in the event of an all-hazards incident, which is defined in DoD Instruction 6055.17 as any incident, natural or man-made, that warrants action to protect the life, property, health, and safety of military members, dependents, and civilians at risk, and minimize any disruptions of installation operations.⁵⁶⁴ Included in the plan is the establishment of an Emergency Family Assistance Center (EFAC) which promotes short- and long-term recovery and the return to a stable environment and mission-ready status for DoD personnel and their families.⁵⁶⁵ Plans address issues such as temporary lodging, health and security, medical support, religious and psychosocial services, transportation, child and youth services, and legal and financial services.⁵⁶⁶

⁵⁵⁶ Ibid.

⁵⁵⁷ Ibid, 1.

⁵⁵⁸ Armed Forces, 10 U.S.C. § 1059 (2012).

⁵⁵⁹ Ibid.

⁵⁶⁰ Armed Forces, 10 U.S.C. § 1059(e)(2).

⁵⁶¹ Transitional Compensation for Abused Dependents, DoDI 1342.24 (1997).

⁵⁶² Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10, 26 (2011).

⁵⁶³ Military Family Readiness, DoDI 1342.22, 19 (2012).

⁵⁶⁴ Ibid. ("All-hazard incident" defined in Installation Emergency Management Program, DoDI 6055.17, 44 (2010).

⁵⁶⁵ Ibid.

⁵⁶⁶ Military Family Readiness, DoDI 1342.22, 19-23 (2012).

5.1.10.13. TRANSITION ASSISTANCE

Transition assistance services prepare separating uniformed Service members and their families for reentry into the civilian work force.⁵⁶⁷ These benefits are provided by multiple agencies and are described in the Cross-Agency Benefits section of this report—Section 5.8.4 Transition Assistance.

The Employer Support of the Guard and Reserve (ESGR) and Employment Initiative Program (EIP) focus on employment issues faced by Guard and Reserve.

5.1.10.13.1. Employer Support of the Guard and Reserve

The National Committee for Employer Support of the Guard and Reserve (NCESGR) is responsible for creating and advocating programs that promote stronger, more positive partnerships between Reservists and their civilian employers.⁵⁶⁸ ESGR programs include public relations events, educational materials dissemination, and an informal mediation services.⁵⁶⁹ NCESGR develops Uniformed Services Employment and Reemployment Rights Act (USERRA)⁵⁷⁰ and ESGR training curricula, and makes these resources available to Reserve Components in support of required training.⁵⁷¹ They also assist in preventing, resolving, or reducing employer and/or employee problems and misunderstandings that result from National Guard or Reserve membership, training, or duty requirements by providing information services and informal mediation.⁵⁷²

5.1.10.13.2. Employment Initiative Program

EIP is a portfolio of services provided to connect job-seeking Reserve Component Service members and veterans with potential employers.⁵⁷³ In 2011, EIP launched Hero 2 Hired (H2H), which is a comprehensive service designed to address the unique needs of Reserve Component members, focusing on employment issues.⁵⁷⁴ The program contains the tools for a job seeker to find a position, build a resume, and prepare for an interview.⁵⁷⁵

5.1.10.14. ADOPTION REIMBURSEMENT

As provided for in DoD Instruction 1341.09, DoD Adoption Reimbursement Policy, the Adoption Reimbursement program reimburses Service members who adopt a child younger than 18 years of age.⁵⁷⁶ This reimbursement is for reasonable and necessary adoption expenses, up to \$2,000 per adoptive child, but no more than \$5,000 per

⁵⁶⁷ Ibid, 23.

⁵⁶⁸ Employer Support of the Guard and Reserve, DoDI 1205.22, 2 (1997). See also National Committee for Employer Support of the Guard and Reserve (NCESGR), DoDD 1250.01, 2 (2004).

⁵⁶⁹ Employer Support of the Guard and Reserve, DoDI 1205.22, 3 (1997).

⁵⁷⁰ Veterans' Benefits, 38 U.S.C. §§ 4301- 4335, Uniformed Services Employment and Reemployment Rights Act of 1994 (1994).

⁵⁷¹ National Committee for Employer Support of the Guard and Reserve (NCESGR), DoDD 1250.01, 5 (2007).

⁵⁷² Employer Support of the Guard and Reserve, DoDI 1205.22, 2 (1997). See also National Committee for Employer Support of the Guard and Reserve (NCESGR), DoDD 1250.01, 5 (2007). See also Karen Rose Blaisure, Tara Saathof-Wells, Angela Pereria, Shelley MacDermid Wadsworth, Amy Laura Dombro, *Serving Military Families in the 21st Century*, (New York, NY: Taylor and Francis Group, 2012), 204.

⁵⁷³ "Service Member & Family," Employer Support of the Guard and Reserves, accessed October 30, 2013, <http://www.esgr.mil/Service-Members-Family/Find-a-Job.aspx>.

⁵⁷⁴ Yellow Ribbon Reintegration Program, *Annual Advisory Board Report to Congress Fiscal Year 12*, 9, accessed June 1, 2014, http://www.yellowribbon.mil/assets/docs/FY2012_YRRP_Report_to_Congress_Final.pdf.

⁵⁷⁵ Ibid.

⁵⁷⁶ Adoption Reimbursement Policy, DoDI 1341.09, 2 (2009).

calendar year.⁵⁷⁷ In the case of two married Service members, only one member may claim expenses for each adopted child.⁵⁷⁸ The program requires that adoptions are final before the member leaves active duty.⁵⁷⁹ A qualified adoption agency or other source authorized to place children for adoption under State or local law is necessary.⁵⁸⁰

5.1.10.15. YELLOW RIBBON REINTEGRATION PROGRAM

The Yellow Ribbon Reintegration Program (YRRP), “provides informational events and activities for members of the Reserve Components of the Armed Forces, their families, and community members to facilitate access to services supporting their health and well-being through the 4 phases of the deployment cycle,”⁵⁸¹ defined as the following:

- predeployment
- deployment
- demobilization
- post-deployment-reconstitution

The Congress established YRRP in 2008.⁵⁸² The historic increase in the use of National Guard and Reserve forces, combined with the geographic isolation of many Service members and their families, resulted in the need for consistent deployment cycle support and a sustainable structure to most effectively meet the needs of the present and future operational force.⁵⁸³

YRRP evaluates and shares resources, tools, and promising practices across the seven Reserve Components.⁵⁸⁴ The seven Reserve Components are responsible for implementing YRRP for their members and families using DoD guidelines, which maintain program consistency and still address each Service’s unique missions and challenges.⁵⁸⁵ In FY 2012, the Services conducted 2,028 YRRP events, providing services, information, and referrals to 248,252 Service members and family or designated representatives.⁵⁸⁶

5.1.10.16. SURVIVOR OUTREACH

Survivor outreach is an extension of the support provided by the Casualty Assistance Program (explained in greater detail in Section 5.1.11. of this report). Casualty Assistance Officers assist survivors in making difficult decisions while navigating them through the military’s system of privileges, benefits, and entitlements.⁵⁸⁷ Survivor

⁵⁷⁷ Ibid.

⁵⁷⁸ Ibid.

⁵⁷⁹ Ibid.

⁵⁸⁰ Ibid.

⁵⁸¹ National Defense Authorization Act for FY 2008, Pub. L. No. 110–181, § 582, 122 Stat. 3, 122–126 (2007). *See also* DoD Yellow Ribbon Reintegration Program (YRRP), DoDI 1342.28 (2011).

⁵⁸² Ibid.

⁵⁸³ Yellow Ribbon Reintegration Program, *Annual Advisory Board Report to Congress Fiscal Year 12*, accessed June 1, 2014, 3, http://www.yellowribbon.mil/assets/docs/FY2012_YRRP_Report_to_Congress_Final.pdf.

⁵⁸⁴ Ibid.

⁵⁸⁵ Ibid, 4.

⁵⁸⁶ Ibid, 15.

⁵⁸⁷ Department of Defense (DoD) Personnel Casualty Matters, Policies, and Procedures, 11, DoDI 1300.18 (2009). *See also* Department of Defense, *A Survivor’s Guide to Benefits: Taking Care of Our Families*, accessed June 1, 2014, https://www.militaryonesource.mil/12038/MOS/ResourceGuides/A_Survivors_Guide_To_Benefits.pdf.

outreach extends initial support during a time of grief to help survivors feel less overwhelmed and more able to manage feelings and reactions.⁵⁸⁸

The Military Departments provide non-medical counseling through MOS to family members of fallen Service members at no cost.⁵⁸⁹ Consultants share information and make referrals on a wide range of issues, including grief and bereavement.⁵⁹⁰ Face-to-face non-medical counseling sessions, and their equivalent by phone or online, are all available to the Service member.⁵⁹¹

5.1.10.17. WOUNDED, ILL, AND INJURED

The military's wounded warrior programs provide support to Service members who are wounded, ill, and injured and their families. Each Service operates a wounded warrior program, in accordance with DoD Instruction 1300.24, to assist Service members and their families with nonmedical issues associated with the transition back to duty or to civilian life.⁵⁹² The wounded warrior programs work with the Service members and their medical team to develop a comprehensive recovery plan that addresses specific recovery, rehabilitation, and reintegration goals.⁵⁹³ These programs provide lifetime support for the Service member as eligibility for participation in the program does not conclude when the Service member is discharged from an MTF.⁵⁹⁴ Typical nonmedical support provided by the wounded warrior programs may include, but is not limited to, assistance with the following:

- pay and personnel issues
- invitational travel orders
- lodging and housing adaptations for the wounded warrior
- child and youth care arrangements
- transportation needs
- legal and guardianship issues
- education and training benefits
- respite care
- traumatic brain injury/post-traumatic stress support services⁵⁹⁵

Eligibility for wounded warrior programs is extended to Service members who are battling serious illnesses or who are injured in accidents and generally require long term care.⁵⁹⁶

⁵⁸⁸ "Finding Support After the Loss of a Loved One," Military OneSource, accessed October 2013, http://www.militaryonesource.mil/casualty?content_id=271827.

⁵⁸⁹ Counseling Services for DoD Military, Guard and Reserve, Certain Affiliated Personnel, and Their Family Members, DoDI 6490.06, Enclosure 3, 6 (2009).

⁵⁹⁰ Ibid.

⁵⁹¹ Ibid, 7.

⁵⁹² Recovery Coordination Program (RCP), DoDI 1300.24, 2 (2009). See also "Wounded Warrior Programs," Military OneSource, accessed May 5, 2014, http://www.militaryonesource.mil/wounded-warrior?content_id=268711.

⁵⁹³ Recovery Coordination Program (RCP), DoDI 1300.24, 20 (2009).

⁵⁹⁴ Ibid, 19. See also "Wounded Warrior Programs, Military OneSource, accessed May 5, 2014, http://www.militaryonesource.mil/wounded-warrior?content_id=268711.

⁵⁹⁵ "Wounded Warrior Programs, Military OneSource, accessed May 5, 2014, http://www.militaryonesource.mil/wounded-warrior?content_id=268711.

⁵⁹⁶ Ibid.

5.1.10.18. OUTREACH AND COMMUNITY CAPACITY BUILDING

Outreach efforts to geographically dispersed Service members and their families include a network of service delivery providers to support those who do not have direct access to on-installation FRS programs.⁵⁹⁷ The goal is to connect Service members and their families with community-based services to execute coordinated, comprehensive local support.⁵⁹⁸

One example of this type of outreach is the Joint Family Support Assistance Program (JFSAP). In 2007, the Congress authorized the DoD to develop JFSAP,⁵⁹⁹ a program providing services to families located in areas where military installations are unavailable to do so.⁶⁰⁰ The result augments family readiness services from all components in all U.S. States and territories.⁶⁰¹ A state or territory-based team provides a combination of military- and family-life counselors, child and youth behavioral counselors, personal financial counselors, and MOS consultants.⁶⁰²

Beneficiaries

FRS is available to Service members and their families. The Secretary of a Military Service may expand availability to other designated populations, such as civilian personnel, when authorized by law.⁶⁰³

EFA is available to a broader list of beneficiaries. The EFA beneficiaries include DoD personnel, Active Components, Reserve Components, DoD civilians, DoD families, DoD and non-DoD tenants, transient DoD and U.S. Government personnel, and DoD contractors living or working on DoD installations worldwide.⁶⁰⁴

Historical Context

Initially, families were “camp followers.” Officers took care of their own families and enlisted personnel were expected to not marry.⁶⁰⁵ Although families have always been associated with the military, the role families play in supporting the mission was not formally recognized by the military until the late 1800s.⁶⁰⁶ Entry into World War II found no single agency prepared to assist young military members and their families experiencing problems of adjustment, financial challenges, wartime separation, and emotional burdens.⁶⁰⁷

It was not until the advent of the All-Volunteer Force in the 1970s that specialized programs were developed to meet the needs of military families experiencing adjustment challenges and financial burdens.⁶⁰⁸ More recently, as stated in *Serving Military Families in the 21st Century*, “the DoD views spouses and other family

⁵⁹⁷ Military Family Readiness, DoDI 1342.22, 25 (2012).

⁵⁹⁸ Ibid.

⁵⁹⁹ John Warner National Defense Authorization Act for FY 2007, Pub. L. No. 109-364, § 675, 120 Stat. 2083, 2273-2274 (2006).

⁶⁰⁰ Military Family Readiness, DoDI 1342.22, 25 (2012).

⁶⁰¹ Ibid.

⁶⁰² Ibid.

⁶⁰³ Ibid, 1.

⁶⁰⁴ Ibid.

⁶⁰⁵ Chief of Staff, US Army, White Paper 1983, “The Army Family,” 1, July 20, 1984.

⁶⁰⁶ Ibid, 2.

⁶⁰⁷ Ibid, 3.

⁶⁰⁸ Ibid.

members as vital to the success of an all-volunteer force.”⁶⁰⁹ If family members have a sense of being well-cared for and doing well in the military community, the Service members will not need to spend as much time and energy worrying about their families when they cannot physically be with them. This builds a sense of satisfaction and a desire to stay in the military.⁶¹⁰

Financial Summary

In FY 2013, \$605 million of appropriated funds were expended to support DoD Family Readiness Systems.⁶¹¹

5.1.11. CASUALTY ASSISTANCE

DoD provides families of every Service member who dies while on active duty with certain benefits, privileges, and entitlements. These benefits include the death gratuity, unpaid pay and allowances, a burial allowance, flags, funeral travel, dignified transfer travel, unit memorial travel, military funeral honors, and the Gold Star lapel button.

5.1.11.1. DEATH GRATUITY

“The Death Gratuity provides for a special tax free payment of \$100,000 to eligible survivors of members of the Armed Forces, who die while on active duty or while serving in certain reserve statuses.”⁶¹² The death gratuity is an immediate cash payment (usually within the first 72 hours) to assist survivors of deceased Service members to meet their financial needs during the period immediately following a member’s death and before other survivor benefits are received.⁶¹³ Death gratuity is payable to one or more persons designated by the Service member.⁶¹⁴

The death gratuity is payable for death of members in a reserve status while performing authorized travel to or from active duty, while on inactive-duty training, or while performing authorized travel directly to or from active duty for training or inactive-duty training.⁶¹⁵ It can also be paid to members of reserve officers’ training

⁶⁰⁹ Karen Rose Blaisure, Tara Saathof-Wells, Angela Pereria, Shelley MacDermid Wadsworth, Amy Laura Dombro. *Serving Military Families in the 21st Century*, (New York, NY: Taylor and Francis Group, 2012), 16.

⁶¹⁰ Ibid.

⁶¹¹ “Budget Materials,” Department of Defense, Undersecretary of Defense Comptroller, accessed June 12, 2014, <http://comptroller.defense.gov/BudgetMaterials.aspx>. Department of the Army, *Fiscal Year 2015 President’s Budget*, Submission, 29, 33, 35, 36, accessed June 12, 2014, <http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/opmaint//oma-v2.pdf>. Department of the Navy, *Fiscal Year 2015 Budget Estimates*, 4, 5, 7, accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMN_Vol2_BOOK.pdf. Department of the Navy, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Marine Corps Data Book*, 2, 6, 8, accessed June 12, 2014, http://www.finance.hq.navy.mil/FMB/15pres/OMMC_Vol2_BOOK.pdf. Department of the Air Force, *Fiscal Year 2015 Budget Estimates, Operation and Maintenance, Air Force Reserve*, 68, accessed June 12, 2014, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-012.pdf>. Additional information regarding Air Force (active component) FY 2013 Warfighter and Family Services from their Program Resources Collection Process (PCRP) Database, provided by Office of the Undersecretary of Defense Comptroller, telephone conference with MCRMC, March 2014.

⁶¹² “Death Gratuity,” Under Secretary of Defense, Personnel and Readiness, accessed June 1, 2014, <http://militarypay.defense.gov/Benefits/Death%20Gratuity/>. See also Armed Forces, 10 U.S.C. § 1478. Certain Military Benefits, 26 U.S.C. § 134.

⁶¹³ Armed Forces, 10 U.S.C. § 1475.

⁶¹⁴ Armed Forces, 10 U.S.C. § 1477.

⁶¹⁵ Armed Forces, 10 U.S.C. § 1475(a).

programs who die while performing annual training duty under orders for a period of more than 13 days or while performing authorized travel to or from that duty, to applicants for membership in Reserve Officers' Training Corps who die while attending/travelling to or from field training or a practice cruise and to persons traveling to/from or while at a place of acceptance for entry to active duty.⁶¹⁶

The death gratuity is also payable if an eligible member or former member dies within 120 days of release or discharge from active duty, or active duty for training when the Secretary of Veterans Affairs determines that the death resulted from injury or disease incurred or aggravated during such duty.⁶¹⁷

5.1.11.2. UNPAID PAY AND ALLOWANCES

After the death of an active-duty member, any pay and allowances due to the member, are paid to the designated beneficiary.⁶¹⁸ The Secretary of Defense has the authority to settle all accounts of deceased members to include for the payment of accrued leave, unpaid pay and allowances including unpaid basic pay, amounts due for travel, per diem expenses, transportation of eligible family members, shipment of household goods, and unpaid installments of variable reenlistment bonuses.⁶¹⁹

5.1.11.3. BURIAL ALLOWANCE

Upon death, the Military Service concerned may provide an active-duty member's surviving spouse or blood relative a burial allowance to cover the expense of recovering and identifying remains, preparation of the remains for burial including cremation; furnishing of a uniform or other clothing; furnishing of a casket or urn, or both; hearse service; funeral director's services; and interment of the remains.⁶²⁰

5.1.11.4. FLAGS

The Military Service concerned will provide a U.S. flag during the funeral honors ceremony to the spouse of the Service member and each child of the deceased, as well as the member's parents.⁶²¹

5.1.11.5. FUNERAL TRAVEL

The Government will provide transportation to the burial site for the Service member's immediate family, including the surviving spouse, children, siblings of the Service

⁶¹⁶ Armed Forces, 10 U.S.C. § 1475(a)(4).

⁶¹⁷ Armed Forces, 10 U.S.C. § 1476. "Death Gratuity," Military Compensation, accessed June 1, 2014, <http://militarypay.defense.gov/benefits/deathgratuity.html>.

⁶¹⁸ Armed Forces, 10 U.S.C. § 2771(a).

⁶¹⁹ Armed Forces, 10 U.S.C. § 2771. Pay and Allowances of the Uniformed Services, 31 U.S.C. § 3702(a)(1) (2012). Pay and Allowances of the Uniformed Services, 37 U.S.C. § 501 (2011). Procedures for Settling Personnel and General Claims and Processing Advance Decision Requests, DoDI 1340.21 (2004). (Armed Forces, 10 U.S.C. § 2771 in conjunction with 31 U.S.C. § 3702(a)(1) gives the Secretary of Defense authority to settle all accounts of deceased members. 37 U.S.C. § 501 sets the parameters for the payment of accrued leave. DoDI 1340.21 sets forth the policies and procedures for the settlement of the claim, including, but not limited to what expenses can be submitted with the claim.)

⁶²⁰ Armed Forces, 10 U.S.C. § 1482(a). See also Interment Allowance for Deceased Military Personnel, DoDI 1344.08 (2009).

⁶²¹ Armed Forces, 10 U.S.C. § 1482(e).

member, the parents of both the Service member and the surviving spouse, and the person authorized to direct disposition (PADD) of human remains that may elect two close family members in addition to themselves.⁶²² If family members prefer to make their own arrangements, they may be reimbursed by the Government.⁶²³ Eligible family members can be authorized to receive travel and per diem expenses to attend the funeral.⁶²⁴

5.1.11.6. DIGNIFIED TRANSFER TRAVEL

The person most closely related to the casualty or the primary next of kin (PNOK), plus two additional family members of the PNOK's, are eligible for dignified transfer travel.⁶²⁵ Eligible PNOK may travel to Dover Air Force Base to participate as official observer(s) at the dignified transfer when a fatality from a theater of combat operations returns.⁶²⁶

5.1.11.7. UNIT MEMORIAL TRAVEL

A military unit may schedule a memorial service as a way for fellow unit members to honor the deceased.⁶²⁷ Immediate family, including the surviving spouse, children, siblings of the Service member, the parents of both the Service member and the surviving spouse, and the PADD are eligible for funded travel to the memorial service.⁶²⁸

5.1.11.8. MILITARY FUNERAL HONORS

Upon request, DoD will provide military funeral honors consisting of the folding and the presenting of the U.S. flag and the playing of "Taps."⁶²⁹ A funeral honors detail consists of two or more uniformed members of the Military Services, with at least one member from the deceased's Service branch.⁶³⁰

5.1.11.9. GOLD STAR LAPEL BUTTON

The Gold Star lapel button is provided to the family of Service members who lost their lives under hostile conditions.⁶³¹ These are presented to the spouse, parents, siblings, and children of deceased active-duty members prior to the funeral or interment service.⁶³²

⁶²² Pay and Allowances of the Uniformed Services, 37 U.S.C. § 481f.

⁶²³ Special Circumstances Travel and Transportation, JFTR U7070-A §U7070 (2013).

⁶²⁴ Mortuary Affairs Policy, DoDD 1300.22E, Enclosure 2, 4(b) (2011).

⁶²⁵ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 481f(e). *See also* Department of Defense Personnel Casualty Matters, Policies, and Procedures, DoDI 1300.18E, 4.10 (2009).

⁶²⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 481f(e). *See also* Department of Defense Personnel Casualty Matters, Policies, and Procedures, DoDI 1300.18E, 4.10 (2009).

⁶²⁷ Travel and Transportation for Survivors of Deceased Members of the Uniformed Services to Attend Memorial Ceremonies, DoD Directive-Type Memo 10-008 (2010).

⁶²⁸ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 481f(a)(2). *See also* DoD Directive-Type Memo 10-008 (May 11, 2010).

⁶²⁹ Armed Forces, 10 U.S.C. § 1491.

⁶³⁰ Armed Forces, 10 U.S.C. § 1491. *See also* Military Funeral Support, DoDI 1300.15 (2009).

⁶³¹ *See generally* Armed Forces, 10 U.S.C. § 1126.

⁶³² Armed Forces, 10 U.S.C. § 1126. *See also* Military Awards to Foreign Personnel and U.S. Public Health Service Officers; and Miscellaneous Information, DoDM 1348.33-V3 (2013).

Beneficiaries

Beneficiaries include survivors of members of the uniformed Service who die while on active duty or while serving in particular reserve statuses.⁶³³

Historical Context

On July 17, 1862, President Lincoln signed the Omnibus Act of 1862, which gave the President the authority to purchase cemetery grounds that would be used as a national cemetery for soldiers who die in the service of the country.⁶³⁴ On March 4, 1865, in his second inaugural address, President Lincoln said, “To care for him who shall have borne the battle and for his widow, and his orphan,” affirming the Government’s obligation to care for those injured during the war and to provide for the families of those who perished on the battlefield.⁶³⁵

Financial Summary

In FY 2013 the Army spent \$9.8 million, the Air Force spent \$5.1 million, and the Navy and Marine Corps spent \$4.3 million on casualty assistance.⁶³⁶

5.1.12. SPACE AVAILABLE TRAVEL

Pursuant to 10 U.S.C. § 2641b, the Secretary of Defense is authorized to establish Space Available Flights (Space-A travel) for Service members, certain retirees and their family members. The system accommodates passengers by letting them occupy seats on military air transport flights that would otherwise be left empty. Unused seats on DoD-owned or controlled aircraft are available once all the space-required (duty) passengers and cargo have been accommodated. Passengers are categorized by priority of travel and are processed in priority order. Official duty passengers have priority over Space-A travelers.⁶³⁷

Beneficiaries

The following are travel categories for Space-A beneficiaries in priority order:⁶³⁸

Category I – Emergency Leave Unfunded Travel

- emergency travel in connection with serious illness, death, or impending death of a member of the immediate family of the following: U.S. citizen civilian employees of DoD stationed overseas
- full-time, paid personnel of the American Red Cross serving with U.S. Military Services overseas
- uniformed Service family members whose sponsors are stationed within the CONUS and the emergency exists overseas
- family members of U.S. citizen civilian employees of DoD when both sponsor and dependents are stationed overseas at the same location

⁶³³ “Death Gratuity,” DoD Military Compensation, accessed May 21, 2014, <http://militarypay.defense.gov/Benefits/Death%20Gratuity/>.

⁶³⁴ Act of July 17, 1862, 12 Stat 594 (1862).

⁶³⁵ President Abraham Lincoln’s Second Inaugural Address, March 4, 1865.

⁶³⁶ Casualty and Mortuary Affairs, ODASD (MC&FP), e-mail to MCRMC, May 14, 2014.

⁶³⁷ 10 U.S.C. § 2641b.

⁶³⁸ Air Transportation Eligibility, DoD 4515.13-R (1994). *See also* Military Airlift Passenger Service, AMCI24-101V14 14 (2012). *See also* Air Mobility Command Website, Space Available Travel Eligibility, accessed June 16, 2014, <http://www.amc.af.mil/amctravel/spaceatravelcategories.asp>

Category II – Environmental and Morale Leave (EML)

- sponsors on EML and accompanied family members
- DoDDS teachers and their accompanied family members in EML status during school year holiday or vacation periods

Category III – Ordinary Leave, Close Blood or Affinitive Relatives, House Hunting Permissive TDY, Medal of Honor Holders, Foreign Military, and Others

- members of the uniformed services in an ordinary or re-enlistment leave status and uniformed services patients on convalescent leave (members on convalescent leave may not travel overseas unless their leave form is so annotated)
- military personnel traveling on permissive TDY orders for house hunting
- dependents of military members deployed for more than 365 consecutive days
- bona fide family members (up to age 23 with a valid identification card) of a Service member of the uniformed services when accompanied by their sponsor who is in an ordinary leave status within overseas areas between overseas stations and air terminals in the CONUS
- foreign exchange service members on permanent duty with DoD, when in a leave status

Category IV – Unaccompanied Dependents on EML and DoDDS Teachers on EML During Summer

- dependents of military members deployed for more than 120 consecutive days
- unaccompanied family members (18 years or older) traveling on EML orders (family members under 18 must be accompanied by an adult family member who is also traveling on EML orders)
- DoDDS teachers or family members (accompanied or unaccompanied) in an EML status during summer break

Category V – Permissive TDY (Non-House Hunting), Students, Dependents, and Others

- unaccompanied Command-sponsored dependents
- students whose sponsor is stationed in Alaska or Hawaii
- students enrolled in a trade school in the CONUS when the sponsor is stationed overseas
- military personnel traveling on permissive TDY orders for other than house hunting

Category VI – Retired, Dependents, Reserve, ROTC, Nuclear Power Officer Candidates, and Civil Engineer Corps

- National Guard/Reserve Components/members of the Ready Reserve and members of the Standby Reserve who are on the Active Status List
- retired military members who are issued DD Form 2 and eligible to receive retired or retainer pay
- family members (with a valid identification card) of retired members when accompanied by a sponsor

A more detailed listing of beneficiaries can be found in Section C6.1.7 of DoD 4515.13-R, Air Transportation Eligibility.

Historical Context

The Space Available program can be traced back to 1907, when the Congress authorized the travel of families to accompany officials traveling on official business when accommodations were available.⁶³⁹ The laws, policies and regulations governing Space-A have expanded over the years to extend this benefit to the current group of beneficiaries.

Financial Summary

Passengers are charged a Federal Inspection Fee if traveling on a commercial mission arriving in the United States from overseas.⁶⁴⁰ Also passengers who arrive/depart the Customs Territories of the United States to/from overseas locations are charged a Heat Tax.⁶⁴¹

5.1.13. SUBSISTENCE FEEDING/ESSENTIAL DINING

Subsistence feeding/essential dining refers to the rations (meals) provided as a basic benefit of military service. Service members entitled to receive basic pay are either entitled to a basic allowance for subsistence (BAS),⁶⁴² or, if they are enlisted, they may be paid partial BAS and furnished meals or rations at no charge from an appropriated fund dining facility (subsistence-in-kind).⁶⁴³ One exception is that enlisted members undergoing basic training are subsisted-in-kind and not entitled to partial BAS.⁶⁴⁴ In general, Service members may not receive full BAS and meals or rations at no charge for the same period of service.⁶⁴⁵

Subsistence-in-kind is typically provided to Service members through essential station messing or essential unit messing.⁶⁴⁶ Essential station messing is either essential to operating the appropriated fund dining facility efficiently and economically, or is necessary for the health and safety of enlisted personnel permanently assigned to single quarters (i.e., unaccompanied housing).⁶⁴⁷ Essential unit messing is declared essential for operational readiness, military operations, or effective training of a unit (e.g., field messing units, ship's galley).⁶⁴⁸

Military dining facilities and essential messing units receive APF commensurate with the number of Service members they are expected to feed.⁶⁴⁹ Meals are tracked using a “meal card” (or more modern alternative) and the Service member has no out-of-pocket

⁶³⁹ Act of March 2, 1907, ch. 2511, 34 Stat. 1171 (1907).

⁶⁴⁰ Military Airlift Passenger Service, AMCI24-101V14 14 (2013).

⁶⁴¹ Ibid. See also Air Mobility Command, AMC Travel FAQs, <http://www.amc.af.mil/amctravel/amctravelfaqs.asp>, March 25, 2014.

⁶⁴² 37 U.S.C. § 402.

⁶⁴³ Basic Allowance for Subsistence, DoD Financial Management Regulation Volume 7A, Chapter 25, Section 250101, 25-3 and 25-4 (2002).

⁶⁴⁴ Ibid, 25-6.

⁶⁴⁵ Ibid, 25-7.

⁶⁴⁶ Basic Allowance for Subsistence (BAS) Policy, DoDI 1418.05, 9 (2003).

⁶⁴⁷ Ibid.

⁶⁴⁸ Ibid.

⁶⁴⁹ Special Accounts, Funds, and Programs, Financial Management Regulation Volume 12, DoD 7000.14-R Chapter 19, 19-10 (2014).

expense for these meals.⁶⁵⁰ Those receiving full BAS are typically permitted to eat in the government dining facility but pay an out-of-pocket fee to do so.⁶⁵¹

Subsistence feeding does not include the dining options provided at military recreational facilities operated with NAF (e.g., officers' club, enlisted club, squadron mess, organized mess).⁶⁵² Those options are managed as Category C MWR activities.⁶⁵³

Beneficiaries

Although nearly all Service members are provided a subsistence benefit, only a portion (typically those living in unaccompanied personnel housing or assigned to essential messing units) are provided this benefit as meals or rations, delivered through an appropriate fund dining facility, also known as government mess.⁶⁵⁴ When Service members who are receiving full BAS (or full per diem while travelling), and other non-Service members, such as family members and guests, eat in a government mess, they are charged for their meals.⁶⁵⁵ According to 37 U.S.C. § 1011, "Such rates shall be established at a level sufficient to provide reimbursement of operating expenses and food costs to the appropriations concerned."⁶⁵⁶ The costs of these meals are standardized across DoD⁶⁵⁷ and in FY 2014 range from \$2.55 for breakfast to \$6.55 for supper (\$7.70 for holiday meals).⁶⁵⁸ A la carte diners are charged 33 percent above the cost of food.⁶⁵⁹

A Service member who is undergoing medical recuperation or therapy at a military treatment facility for an injury, illness, or disease associated with designated combat operations, or is otherwise in the status of continuous care, including outpatient care, is not required to pay any charge for meals provided to the member by the military treatment facility.⁶⁶⁰ This is true even if they are receiving full BAS.⁶⁶¹

Historical Context

For centuries, militaries have provided rations to their members as a fundamental benefit of military service. As indicated by Napoleon's famous quote, "une armée marche à son estomac" (an army marches on its stomach), providing military forces adequate nourishment is an important aspect of military operations.⁶⁶²

⁶⁵⁰ Basic Allowance for Subsistence, DoD Financial Management Regulation Volume 7A, Chapter 25, Section 250101 (2002).

⁶⁵¹ Special Accounts, Funds, and Programs, Financial Management Regulation Volume 12, DoD 7000.14-R Chapter 19, 19-10 (2014).

⁶⁵² Military Morale, Welfare, and Recreation (MWR) Programs, DoDI 1015.10 (2011).

⁶⁵³ Ibid.

⁶⁵⁴ Basic Allowance for Subsistence, DoD Financial Management Regulation Volume 7A, Chapter 25, Section 250101, 25-3 and 25-7 (2002).

⁶⁵⁵ Department of Defense, *Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies*, Effective January 1, 2014, accessed June 1, 2014,

http://comptroller.defense.gov/Portals/45/documents/rates/fy2014/2014_g.pdf.

⁶⁵⁶ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 1011.

⁶⁵⁷ Special Accounts, Funds, and Programs, Financial Management Regulation Volume 12, DoD 7000.14-R Chapter 19 (2014).

⁶⁵⁸ Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies, Effective January 1, 2014, http://comptroller.defense.gov/Portals/45/documents/rates/fy2014/2014_g.pdf.

⁶⁵⁹ Ibid.

⁶⁶⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402.

⁶⁶¹ Ibid.

⁶⁶² David Axe, *From A to B: How Logistics Fuels American Power and Prosperity* (Dulles, VA: Potomac Books, 2011).

In the early days of the Revolutionary War, the U.S. Continental Congress established a Commissary General of Stores Provisions.⁶⁶³ On November 4, 1775, legislation was passed establishing a standard daily ration (16 oz. beef, 6.8 oz. peas, 18 oz. flour, 1.4 oz. rice, 16 oz. milk, .1830 oz. soap, .0686 oz. candle, 1 qt. spruce beer).⁶⁶⁴ Over the years, the options and complexity of military rations increased, as did the governing rules and regulations. In 2002, the DoD simplified the rules by paying full BAS to all Service members (following initial training) and withholding a standard amount for those being fed through military dining facilities (subsistence-in-kind).⁶⁶⁵

There have been multiple initiatives to privatize military dining facilities. In October 2002, the Marine Corps converted all CONUS garrison mess halls to contractor management and operation under their Regional Garrison Food Service Contracts (currently 51 mess halls).⁶⁶⁶ Under these contracts, private sector food service providers have introduced industry best practices and technologies. In 2010, the Air Force launched the Food Transformation Initiative (FTI) to improve the quality, variety, and availability of food at Air Force bases.⁶⁶⁷ In addition to privatized food service at dining halls, at a limited number of pilot sites, this initiative manages both the APF dining halls and NAF dining options, such as a bowling alley snack shop, or a grill at the installation golf course, under one management structure.⁶⁶⁸ This pilot allows junior enlisted personnel to use their meal cards at any of these dining options.⁶⁶⁹ The FTI also allows APF dining facilities to be opened up to anyone with base access (using standard DoD meal fees).⁶⁷⁰ Both of these privatization efforts incorporate military food service specialists, to promote training of those who Service members during deployments.⁶⁷¹

Financial Summary

In FY 2013, a total of \$7.2 billion in appropriated funds was spent on subsistence for the Military Departments.⁶⁷² Of this, approximately one quarter, \$1.9 billion was used for government messes (i.e., dining facilities, essential messing units).⁶⁷³ The

⁶⁶³ "The History of Rations," U.S. Army Quartermaster Foundation, accessed March 2, 2014, http://www.qmfound.com/history_of_rations.htm.

⁶⁶⁴ Ibid.

⁶⁶⁵ Basic Allowance for Subsistence, DoD Financial Management Regulation Volume 7A, Chapter 25, Section 250101, 25-3 (2002).

⁶⁶⁶ Department of the Navy, Commandant of Marine Corps, Commanders' Guidance for the CONUS Regional Garrison Food Service Contracts, accessed June 1, 2014, http://www.quantico.marines.mil/Portals/147/FSB_Cmdrs%20Guidance%20Aug%2003.pdf.

⁶⁶⁷ Government Accountability Office, *Defense Management: Actions Needed to Improve Management of Air Force's Food Transformation Initiative*, GAO-11-676 (2011).

⁶⁶⁸ Ibid.

⁶⁶⁹ Ibid.

⁶⁷⁰ Ibid.

⁶⁷¹ Ibid.

⁶⁷² Budget document (Active Component): Military Personnel Programs (M-1), Department of Defense Budget, FY 2015, March 2014; Budget document (Reserve Component): Department of the Army, FY 2015 President's Budget Submission, Reserve Personnel, Army, March 2014; Budget document (Reserve Component): Department of the Army, FY 2015 Budget Estimates, Volume I, National Guard Personnel, Army, March 2014; Budget document (Reserve Component): Department of the Navy, FY 2015 Budget Estimates, Reserve Personnel, Navy, March 2014; Budget document (Reserve Component): Department of the Navy, FY 2015 Budget Estimates, Reserve Personnel, Marine Corps, March 2014; Budget document (Reserve Component): Air Force Reserve, FY 2015 Budget Estimates, Appropriation 3700, Reserve Personnel, Air Force, March 2014; Budget document (Reserve Component): Air National Guard, FY 2015 Budget Estimates, Appropriation 3850, National Guard Personnel, Air Force, March 2014.

⁶⁷³ Ibid.

remainder was spent in the form of BAS.⁶⁷⁴ Note that this figure does not include the funding provided for Family Subsistence Supplemental Allowance.

5.2. DEPARTMENT OF HOMELAND SECURITY (U.S. COAST GUARD) PROGRAMS

5.2.1. SERVICE MEMBER AND FAMILY SUPPORT

5.2.1.2. TRANSITION AND RELOCATION ASSISTANCE

5.2.1.2.1. Transition Assistance Program

Transition assistance services prepare separating uniformed Service members and their families for reentry into the civilian work force.⁶⁷⁵ These benefits are provided by multiple agencies, and are described in the Cross-Agency Benefits section of this report—Section 5.8.4 Transition Assistance.

5.2.1.2.2. Relocation Assistance Program

The Relocation Assistance Program assists members in becoming familiar with their new community and available resources.⁶⁷⁶ The following services and resources are available within the Relocation Assistance Program:

- community information
- demographics information
- relocation packages
- state information⁶⁷⁷

The Relocation Assistance Program is available to active-duty Coast Guard members and their dependents.⁶⁷⁸

5.2.1.2.3. Spouse and Dependent Employment Services

The Spouse Employment Assistance Program assists spouses in overcoming the difficulties associated with finding employment, especially during the relocation process.⁶⁷⁹ The program provides comprehensive and standardized employment information and services.⁶⁸⁰ Spouse and Dependent Employment Services are available to family members of active-duty personnel, retired Service members and their dependents, and relocating spouses of employees.⁶⁸¹ The Spouse and Dependent Employment Services program provides self-service employment resources, a computer access reference library, general employment information, and assistance in

⁶⁷⁴ Ibid.

⁶⁷⁵ Ibid.

⁶⁷⁶ "Safety and Work-Life, Family Support," U.S. Coast Guard, accessed March 31, 2014, http://www.uscg.mil/worklife/relocation_assistance.asp.

⁶⁷⁷ Ibid.

⁶⁷⁸ Ibid.

⁶⁷⁹ "Office of Work-Life Programs - Spouse Employment Assistance," U.S. Coast Guard, http://www.uscg.mil/worklife/spouse_employment.asp (2014).

⁶⁸⁰ Ibid.

⁶⁸¹ Ibid.

preparing a regular or Government resume.⁶⁸² The CG SUPRT⁶⁸³ Education and Career Center offers tools and information to enhance knowledge of portable careers, earning potential, and attaining jobs.⁶⁸⁴

5.2.1.3. SPECIAL NEEDS

The Coast Guard implemented the Special Needs program to help address the complex requirements of families with special-needs dependents.⁶⁸⁵ The objective of the Special Needs program is to ensure active-duty members maintain maximum flexibility in their assignment through the support of their dependents with special needs.⁶⁸⁶ The Special Needs program, along with other military and civilian organizations, provide a comprehensive, coordinated, multidisciplinary approach to community support, housing, medical, educational, and personnel services for Coast Guard families with special needs.⁶⁸⁷ By following well defined procedures and guidelines, the Coast Guard ensures sponsors with family members who have special needs receive assignments to duty stations where resources are available to support their needs.⁶⁸⁸

Personnel in the following categories must enroll in the Special Needs program: active-duty Service members, USPHS officers serving with the Coast Guard, and selected reserve members on orders for 181 days or more, with dependent family members diagnosed with medical, psychological, physical, or educational special needs.⁶⁸⁹ The Special Needs section of the Coast Guard Office of Work-Life Programs website identifies the criteria for diagnosis in greater detail.⁶⁹⁰

In FY 2013, the Coast Guard spent approximately \$41,000 in appropriated funds to support the Special Needs Program.⁶⁹¹

5.2.1.4. FAMILY SERVICES PROGRAMS

5.2.1.4.1. Adoption Reimbursement

The Adoption Reimbursement program subsidizes the adoption of children younger than 18 years of age for members of the Coast Guard.⁶⁹² A Coast Guard member may receive reimbursement for the cost of adopting a child up to \$2,000 per adoptive child, but no more than \$5,000 in a calendar year.⁶⁹³ Use of a qualified adoption agency is required.⁶⁹⁴ The Coast Guard member receives benefits only after the adoption is final.⁶⁹⁵ Adoption reimbursement is available to Coast Guard active-duty members and members of the Selected Reserve on active duty for at least 180 consecutive days.⁶⁹⁶

⁶⁸² Ibid.

⁶⁸³ U.S. Coast Guard Support Program, accessed March 31, 2014, <http://www.cgsuprt.com>.

⁶⁸⁴ Ibid.

⁶⁸⁵ Ibid.

⁶⁸⁶ Ibid.

⁶⁸⁷ Ibid.

⁶⁸⁸ Ibid.

⁶⁸⁹ Ibid.

⁶⁹⁰ Ibid.

⁶⁹¹ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁶⁹² Reimbursement of Adoption Expenses, COMDTINST 1754.9B, 1 (2012).

⁶⁹³ Coast Guard, 14 U.S.C. § 514(e).

⁶⁹⁴ Coast Guard, 14 U.S.C. § 514.

⁶⁹⁵ Coast Guard, 14 U.S.C. § 514(c).

⁶⁹⁶ Reimbursement of Adoption Expenses, COMDTINST 1754.9B, 1 (2012).

In FY 2013, the Coast Guard spent approximately \$54,000 in appropriated funds to support the Adoption Reimbursement Program.⁶⁹⁷

5.2.1.4.2. Elder Care Resource and Referral⁶⁹⁸

The Coast Guard Elder Care Resource and Referral program provides services for individuals and families who are caring for elderly and aging family members.⁶⁹⁹ The Coast Guard's CG SUPRT program provides counseling, resource information, referrals to elder care facilities, health and wellness coaching, and legal assistance.⁷⁰⁰ In addition, work-life specialists are located at Health, Safety, and Work-Life (HSWL) regional locations.⁷⁰¹

Coast Guard work-life specialists use the Office of Personnel Management's (OPM's) *The Handbook of Elder Care in the Federal Workplace* as an informational guide.⁷⁰² These specialists help employees who care for elderly parents and older persons to meet obligations to their families, personal responsibilities, and job requirements.⁷⁰³

Elder care information and referral services are available to the following Coast Guard members: active-duty Service members and their dependents, select Reservists and their dependents, full-time Civil Service employees and their dependents, and full-time Exchange System and Morale, Well-Being, and Recreation (MWR) employees and their dependents.⁷⁰⁴

5.2.1.4.3. Scholarship Support⁷⁰⁵

Scholarship resources and information assist USCG members and employees with finding scholarship information, grants, and loans in support of higher education.⁷⁰⁶ Family Resource Specialists provide the following services and resources related to the scholarship program:

- information on scholarship resources
- application procedures for Coast Guard Foundation Scholarships
- links to scholarship resources⁷⁰⁷

The Coast Guard scholarship program is available to active-duty members, Reservists, retirees, and dependents.⁷⁰⁸ It is also available to Civil Service employees, Exchange System employees, and MWR employees.⁷⁰⁹

⁶⁹⁷ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁶⁹⁸ The Family Resource Specialist (FRS) is responsible for providing referral, guidance, and support to employees with elder care needs as required by Operating Procedures for Work-Life Staffs, COMDTINST 5400.20A, 11-12 (2004).

⁶⁹⁹ "Health, Safety and Work-Life, Family Support," U.S. Coast Guard, Human Resources, accessed March 31, 2014, http://www.uscg.mil/worklife/elder_care.asp.

⁷⁰⁰ Ibid.

⁷⁰¹ Ibid.

⁷⁰² Office of Personal Management, *The Handbook of Elder Care for the Federal Workplace*, accessed March 31, 2014, <http://www1.opm.gov/policy-data-oversight/worklife/reference-materials/the-handbook-of-elder-care-resources-for-the-federal-workplace/>.

⁷⁰³ Ibid.

⁷⁰⁴ "Health, Safety and Work-Life, Family Support," U.S. Coast Guard, accessed March 31, 2014, http://www.uscg.mil/worklife/elder_care.asp.

⁷⁰⁵ The Family Resource Specialist (FRS) is responsible for providing information and referral services for scholarships available to members of the Coast Guard and their family members as provided for in Operating Procedures for Work-Life Staffs, COMDTINST 5400.20A, 11-12 (2004).

⁷⁰⁶ "Health, Safety and Work-Life, Family Support," U.S. Coast Guard, accessed March 31, 2014, http://www.uscg.mil/worklife/elder_care.asp.

⁷⁰⁷ Ibid.

5.2.1.4.4. Personal Financial Management Program⁷¹⁰

The Personal Financial Management Program (PFMP) provides Coast Guard members and their families with access to financial information and resources.⁷¹¹ This support helps prevent serious financial problems that might cause Coast Guard members to lose their security clearance, face criminal sanctions, or be discharged.⁷¹²

Resources include Employee Assistance Program Coordinators, Command Financial Specialists, CG SUPRT, and Qualified Non-Government Educators and Materials.⁷¹³ More detailed information regarding each of these resources is found on the Personal Financial Management programs section of the Coast Guard Office of Work-Life Programs website.⁷¹⁴

PFMP is available to active-duty Service members and Select Reservists, and their families; Civil Service employees; and Exchange system and MWR employees.⁷¹⁵

5.2.1.4.5. School Liaison

The School Liaison program provides education support information, referrals, and guidance to maximize the opportunity for academic success of Coast Guard-associated children.⁷¹⁶ The program also assists parents with locating points of contact in the schools, making referrals, and maintaining resource materials.⁷¹⁷

The School Liaison program is available to the following Coast Guard members: active duty, select Reservists, and their family members; Civil Service employees; and Exchange System and MWR employees.⁷¹⁸

As stated in Commandant's Instruction M1700.1, the DOD Education Activity is responsible for,

schooling and transportation in support of educating minor dependents of uniformed members of the Coast Guard serving on active duty and stationed outside the 50 United States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States excluding the Trust Territory of the Pacific Islands and Midway Island. (20 U.S.C. § 921).

Coast Guard overseas commands must comply with DoD guidelines and regulations pertaining to overseas dependent schooling.⁷¹⁹

⁷⁰⁸ Ibid.

⁷⁰⁹ Ibid.

⁷¹⁰ Employee Assistance Program, COMDTINST 1740.7B, 2 (2011), provides that financial consultation shall be done as part of the employee assistance program.

⁷¹¹ Personal Financial Management Program, U.S. Coast Guard, accessed April 2, 2014, <http://www.uscg.mil/worklife/financial.asp>.

⁷¹² Ibid.

⁷¹³ Ibid.

⁷¹⁴ Ibid.

⁷¹⁵ Ibid.

⁷¹⁶ "Family Support," U.S. Coast Guard, accessed March 31, 2014, http://www.uscg.mil/worklife/school_liaison.asp.

⁷¹⁷ Ibid.

⁷¹⁸ Ibid.

⁷¹⁹ Military Civil and Dependent Affairs, COMDTINST M1700.1, 2-16 (2011).

Commandant's Instruction M1700.1 also states:

The Secretary of Homeland Security provides for the transportation of dependents of Coast Guard personnel between schools located in the same area as a Coast Guard facility, and the Coast Guard facility, if it is determined that the schools in the area are not accessible by public means of transportation on a regular basis (14 U.S.C. § 657). The Commandant has this authority from 49 CFR 1.46(r). This authorization applies for transportation services in support of educating minor dependents of Coast Guard personnel attending schools located in the 50 United States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States, including the Trust Territory of the Pacific Islands and Midway Island.⁷²⁰

The Department of Education (ED) provides financial assistance to local educational agencies in federally impacted areas.⁷²¹ This financial assistance is available to fund the transportation of Coast Guard dependents.⁷²² The local educational agency must be requested to provide the necessary transportation, from either its own resources or from Federal impact funds made available by ED, before the Coast Guard can provide funding or Coast Guard-owned transportation.⁷²³ The Coast Guard may provide funding or Coast Guard-owned transportation only if the local educational agency refuses to provide the required transportation and the agency certifies that Federal impact funds are either not available or could not be made available if application for them was made.⁷²⁴

5.2.1.5. EMPLOYEE ASSISTANCE PROGRAM

The CG SUPRT program assists active-duty Service members, select Reservists, full-time Civil Service employees and full-time Exchange System and MWR employees, and their dependents with a wide range of mental health and other life concerns, such as depression, relationship issues, and work stress, that may affect their ability to perform on the job or in family environments.⁷²⁵

In FY 2013, the Coast Guard spent approximately \$3.5 million in appropriated funds to support the Employee Assistance Program.⁷²⁶

5.2.1.6. FAMILY ADVOCACY PROGRAM

The intent of the Family Advocacy Program is the prevention and reduction of the incidence of family violence and the creation of an environment of intolerance for such behavior.⁷²⁷

⁷²⁰ Ibid, 2-18.

⁷²¹ Ibid, 2-19.

⁷²² Ibid.

⁷²³ Ibid.

⁷²⁴ Ibid.

⁷²⁵ Employee Assistance Program, COMDTINST 1740.7B, 2 (2011).

⁷²⁶ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷²⁷ Coast Guard Family Advocacy Program, COMDTINST 1750.7C, 1 (2006).

The following services and resources are available within the Family Advocacy Program:

- victim safety planning
- domestic violence assessment and rehabilitation
- referrals to mental health providers for diagnostic assessments
- referrals to anger management classes, parenting classes, couples communication sessions, and substance abuse programs
- ongoing case management by the Family Advocacy Specialist until successful resolution
- any other services/resource required to address the abusive situation⁷²⁸

The Family Advocacy Program is available to the following Coast Guard members:

- active-duty members and their dependents
- retired personnel and their dependents as requested and to the extent resources permit
- Reserve personnel while on active duty and their dependents⁷²⁹

5.2.1.7. HEALTH PROMOTION PROGRAM

A healthy, fit, and injury-free Coast Guard workforce is critical to support optimal operational readiness. The purpose of the CG Health Promotion Program is to strengthen and enhance mission performance by providing policies, programs, education, direct services, and other resources to Coast Guard members and their families.⁷³⁰ By educating and promoting positive health habits, the Health Promotion Program helps train and provide a variety of tools to support a versatile and fit workforce.⁷³¹

In FY 2013, the Coast Guard spent approximately \$113,000 in appropriated funds to support the Health Promotion Program.⁷³²

5.2.2. EDUCATION ASSISTANCE

Education Assistance benefits are provided to uniformed Service members by multiple agencies including DoD, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), the Department of Education (ED), and the Department of Justice (DOJ).

The primary DHS program for Education Assistance is the Tuition Assistance program.

⁷²⁸ Ibid, 2-4.

⁷²⁹ Ibid, 2.

⁷³⁰ Coast Guard Health Promotion Manual, COMDITNST M6200.1B (2013).

⁷³¹ Ibid.

⁷³² Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

5.2.2.1. TUITION ASSISTANCE

These benefits are provided by multiple agencies, and are described in the Cross-Agency Benefits section of this report—Section 5.8.1 Education Assistance.

5.2.3. EXCHANGES

Multiple agencies provide exchange benefits for uniformed Service members.

The Military Services operate multiple exchange systems: Army and Air Force Exchange Service (AAFES) operates exchanges on Army and Air Force installations.⁷³³ AAFES is the largest of the exchange organizations. Navy Exchange Service Command (NEXCOM) operates exchanges on Navy bases.⁷³⁴ Marine Corps Community Services (MCCS) runs exchanges on Marine Corps installations. MCCS also operates the rest of Marine MWR operations.⁷³⁵ Similarly, the Coast Guard Exchange Service (CGES), which operates exchanges on Coast Guard installations, is part of the Coast Guard Community Services Command.⁷³⁶ The Department of Veterans Affairs (VA) operates a separate retail system known as the Veteran Canteen Service (VCS).⁷³⁷

In FY 2013, the Coast Guard spent approximately \$3.2 million in appropriated funds to support the Coast Guard Exchange (CGX) system.⁷³⁸

These benefits are described in greater detail in the Cross-Agency Benefits section of this report—Section 5.8.2 Exchanges.

5.2.4. FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE

Family Subsistence Supplemental Allowance (FSSA) benefits are provided to members of the Armed Services by multiple agencies including DoD and DHS, and are described in the Cross-Agency Benefits section of this report – Section 5.8.3 Family Subsistence Supplemental Allowance.

5.2.5. MILITARY HOUSING

Like DoD, the Coast Guard relies on the private sector as the primary source of housing for Service members.⁷³⁹ The Coast Guard operates a Rental Partnership Program (RPP) to assist members with private-sector housing.⁷⁴⁰ “Through an agreement between housing officers and property owners or managers, a number of community-based rental units may be set aside at a fixed rent to provide affordable, adequate, community-based housing to military members. Depending on the agreement, security deposits, application fees, and credit check fees may be waived

⁷³³ Army and Air Force Exchange Service Operations, AR 215-8 and AFI 34-211(I) (2012).

⁷³⁴ Responsibility and Authority for Navy Exchange Operations, OPNAVINST 5450.331A, ¶ 5(a) (2008).

⁷³⁵ MCCS Policy Manual, MCO P1700.27B, ¶ 1001 (2007).

⁷³⁶ See Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, Chapter 1, ¶ L (2010).

⁷³⁷ See *generally* Veterans’ Benefits, 38 U.S.C. §§ 7801-7810.

⁷³⁸ Data provided by U.S. Coast Guard, Office of Budget and Programs (CG-821), e-mail to MCRMC, May 21, 2014.

⁷³⁹ Coast Guard Housing Manual, COMDTINST M11101.13F, 2-1 (2013).

⁷⁴⁰ *Ibid.*, 2-2.

and rental costs reduced, generally at or below established BAH rates. Typically, monthly rent is paid through allotment.”⁷⁴¹ The Coast Guard Mutual Assistance (CGMA) also has housing assistance programs available for active-duty Coast Guard personnel.⁷⁴²

5.2.5.1. FAMILY HOUSING

Assignment to Coast Guard owned family housing is mandatory when it is available and adequate.⁷⁴³ Assignment to leased housing is not mandatory.⁷⁴⁴ As of FY 2013, the Coast Guard owned and maintained approximately 4,000 military housing units, “many of which are not fully occupied because of rental market conditions and an extensive backlog of maintenance work affecting habitability.”⁷⁴⁵ Generally, the Coast Guard occupancy standard for family housing is 95 percent.⁷⁴⁶

In FY 2013, the Coast Guard spent approximately \$35.5 million in appropriated funds for operation and maintenance of family housing, including \$14.4 million in recurring unit level maintenance and \$21.2 million in nonrecurring depot level maintenance.⁷⁴⁷ An additional \$9.5 million was spent on the construction of new housing units at Air Station Kodiak.⁷⁴⁸

5.2.5.2. UNACCOMPANIED PERSONNEL HOUSING

In FY 2013, the Coast Guard owned and maintained approximately 246 units of Unaccompanied Personnel Housing (UPH).⁷⁴⁹ Assignment to Coast Guard UPH is mandatory for E-5 and below when it is available.⁷⁵⁰ Single members in pay grade E-6 assigned ashore may elect to not reside in government quarters if such facilities do not meet the minimum standards. Single members in pay grade E-7 and higher assigned ashore may elect to not occupy government quarters regardless of adequacy.⁷⁵¹ If not residing in the UPH, both E-6 and E-7 are then entitled to a housing allowance. Table 14 shows the minimum standards for single personnel residing in UPH when determining adequacy. Although standards for the construction of new UPH units include minimum square footage,⁷⁵² “insufficient space is not a reason to declare existing UPH facilities inadequate.”⁷⁵³

⁷⁴¹ Ibid, 2-2.

⁷⁴² Ibid.

⁷⁴³ Ibid, 3-1.

⁷⁴⁴ Ibid.

⁷⁴⁵ United States Coast Guard Fiscal Year 2014, Congressional Justification, CG-OE-45 (2014).

⁷⁴⁶ Coast Guard Housing Manual, COMDTINST M11101.13F, 4-1 (2013).

⁷⁴⁷ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷⁴⁸ Ibid.

⁷⁴⁹ Ibid.

⁷⁵⁰ Assignment and Release from Government Owned Quarters, PSCINST 11101.2, 2 (2014).

⁷⁵¹ Coast Guard Housing Manual, COMDTINST M11101.13F, 7-3 (2013).

⁷⁵² Shore Facilities Standards Manual (SFSM), Volume 1 Individual Space Standards, COMDTINST M11012.9 with Change 1 (1996).

⁷⁵³ Coast Guard Housing Manual, COMDTINST M11101.13F, 7-5 (2013).

Table 14. Minimum Standards for Single Personnel Residing in Unaccompanied Personnel Housing⁷⁵⁴

| Category | Living Space |
|---|---|
| E-1 through E-3 | Semi-private room with maximum two persons per room |
| E-4 and above | Private room with private or shared bath |
| Watchstanders, Students (20 weeks or fewer), other Transients | No minimum standard |

In FY 2013, the Coast Guard spent approximately \$9.8 million in appropriated funds for operations and support of UPH.⁷⁵⁵

5.2.6. MILITARY LODGING

Unlike DoD, the Coast Guard does not operate official lodging for Temporary Duty (TDY) and Permanent Change of Station (PCS) travelers. The Coast Guard does operate recreational lodging programs. As Category C MWR activities, they receive limited APF support because they have the business capability of generating enough income to cover most of their operating expenses.⁷⁵⁶ In FY 2013, the Coast Guard spent approximately \$214K in appropriated funds to operate 23 recreational lodging facilities.

5.2.7. MORALE, WELL-BEING, AND RECREATION

The management and operation of the Coast Guard Morale, Well-being, and Recreation (MWR) programs is similar to DoD Morale, Welfare, and Recreation programs, including the use of three categories of programs: Category A - Mission Sustaining Programs, Category B - Basic Community Support Programs, and Category C - Revenue Generating Programs.⁷⁵⁷ Commandant's Instruction 1710.13C, "Aligns MWR activities to achieve parity with DoD MWR activities."⁷⁵⁸ The Coast Guard Program Baseline Standards establishes baseline levels of personnel, facilities, programs, and equipment for different MWR program sizes.⁷⁵⁹ These baselines "were developed by benchmarking from the other Services to achieve a level of parity with DoD MWR programs."⁷⁶⁰

The Coast Guard MWR programs include sports activities and facilities (i.e., bowling, golf, tennis, swimming), hobby facilities (i.e., crafts, auto hobby, woodworking), general recreation and family support activities (i.e., theaters, child development centers, youth activities and recreation areas), military clubs, community centers, and food service facilities (i.e., cafeterias and snack bars) in a manner that is comparable to DoD.⁷⁶¹ The Coast Guard Community Services Command (CSC) manages both the

⁷⁵⁴ Ibid, 7-6.

⁷⁵⁵ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷⁵⁶ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, 4-3 (2010).

⁷⁵⁷ Ibid, 4-1- 4-4.

⁷⁵⁸ Ibid, 1, 4-1, and 5-1.

⁷⁵⁹ Coast Guard Morale, Well-Being, and Recreation Program Baseline Standards (PBS), COMDTINST 1710.2, 3 (2010).

⁷⁶⁰ Ibid.

⁷⁶¹ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 1-8 (2010).

Coast Guard Exchange System (CGES) and the Coast Guard MWR programs in a manner similar to the Marine Corps, but unlike the other Military Services.⁷⁶² Although local management functions for the CGES and MWR are consolidated, they are financially independent, and the actual cost of services must be allocated to the proper program.⁷⁶³

Coast Guard Commanders develop MWR programs based on the assessed needs of local patrons.⁷⁶⁴ Program offerings support military readiness through physical fitness, support needs for camaraderie and unit cohesion, promote individual growth and development, support family well-being and quality of life, and provide the Coast Guard Community with access to programs similar to those in a civilian community.⁷⁶⁵

Funding for MWR activities comes from both appropriated and nonappropriated sources depending on the category of the MWR activity.⁷⁶⁶ Nonappropriated funds are derived primarily from Coast Guard Exchange System profits as well as fees and charges levied for the use of MWR facilities and participation in some MWR programs.⁷⁶⁷

5.2.7.1 CATEGORY A - MISSION SUSTAINING PROGRAMS

The Coast Guard considers the activities in this category as essential for the physical and mental well-being of the military member.⁷⁶⁸ For these reasons, the Coast Guard funds these activities almost entirely with appropriated funds.⁷⁶⁹ Category A - Mission Sustaining Activities include:

- Military Services professional entertainment programs overseas
- MWR consolidated support service offices
- gymnasium/physical fitness/aquatic training facilities
- general libraries information services program
- on-unit park and picnic areas
- recreation centers/rooms
- shipboard activities or unit level programs
- free admission motion pictures
- sports/athletics (self-directed, unit level, and intramural)
- basic social recreation programs
- Warfighter and Family Services Programs
- single Service member programs⁷⁷⁰

In FY 2013, the Coast Guard spent approximately \$3.1 million in appropriated funds in support of Category A MWR programs.⁷⁷¹

⁷⁶² Ibid, 1-7-1-8. See also MCCS Policy Manual, MCO P1700.27B, ¶ 1001 (2007).

⁷⁶³ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 1-7 (2010).

⁷⁶⁴ Ibid, 1-3.

⁷⁶⁵ Ibid.

⁷⁶⁶ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, Encl(5), 1-11 (2010).

⁷⁶⁷ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 1-6 (2010).

⁷⁶⁸ Ibid, 4-1.

⁷⁶⁹ Ibid.

⁷⁷⁰ Ibid, 4-1, 4-2, and 5-1 through 5-6.

⁷⁷¹ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

5.2.7.2 CATEGORY B - BASIC COMMUNITY SUPPORT PROGRAMS

Category B - Basic Community Support Programs support the military mission but differ from those in Category A because participants pay fees.⁷⁷² There is limited revenue so the Coast Guard also uses some appropriated funding.⁷⁷³ Category B activities include the following:

- amateur radio
- arts and crafts skill development
- automotive skills development
- bowling centers (16 lanes or less)
- child development centers
- community centers
- performing arts (music, drama and theater)
- boating without resale or private boat berthing
- directed outdoor recreation
- recreational information, tickets, tour and travel services
- recreational swimming
- sports programs (above the intramural level)
- youth activities
- camping (primitive or in tents)
- riding stables (government owned or leased)
- outdoor recreational equipment checkout⁷⁷⁴

In FY 2013, the Coast Guard spent approximately \$14,000 in appropriated funds in support of Category B MWR programs.⁷⁷⁵

5.2.7.3 CATEGORY C - REVENUE GENERATING PROGRAMS

Category C - Revenue Generating Programs generate enough income to cover the majority of the operating expenses with minimal appropriated fund support.⁷⁷⁶ Category C activities include the following:

- aquatic centers
- aero clubs (not authorized for Coast Guard)
- amusement machine locations and centers
- animal care (kennel or veterinary services)
- Armed Forces Recreation Centers (accommodation/dining and resale facilities)
- bingo
- monte carlo
- bowling centers (over 16 lanes)
- recreational lodging (cabins, cottages, trailers, trailer and/or recreation vehicle parks with hook-ups)
- catering
- golf courses and driving ranges

⁷⁷² Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 4-2 (2010).

⁷⁷³ Ibid, 4-2.

⁷⁷⁴ Ibid, 4-2, 4-3, and 5-6 through 5-10.

⁷⁷⁵ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷⁷⁶ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 4-3 (2010).

- Joint Service Facilities and Military Services Recreation Centers
- marinas and boating activities with resale or private boat berthing
- motion pictures (paid admission functions only)
- motorcycle clubs
- equipment rental
- rod and gun clubs
- scuba/diving
- skating rinks
- food and beverage operations, including snack bars, soda fountains, and military clubs
- horseback riding program and stables
- temporary lodging facilities
- vehicle storage⁷⁷⁷

In FY 2013, the Coast Guard spent no appropriated funds in support of Category C MWR programs.⁷⁷⁸

5.2.7.4 SPECIAL PROGRAMS

The Coast Guard has a number of Special Programs as well. They include the following:

- Armed Forces Sports Calendar
- Inter-Service championships
- International competition
- Sports Participation Grant Program
- Elite Male or Female Athlete of the Year⁷⁷⁹

The Coast Guard MWR programs are available to the following:

- active-duty personnel and their family members
- members of the ready reserve, reserves in training, members of the National Guard, and their family members
- military cadets of Service academies and their families
- Commissioned Corps of USPHS and their family members
- Commissioned Corps of NOAA on active duty and their family members
- retirees from active duty and their family members
- retirees from Reserves with or without pay and their family members
- honorably discharged veterans with 100 percent service connected disability and involuntarily separated Service members under the Transition Assistance Management Program and their family members
- Congressional Medal of Honor recipients and their family members
- unremarried surviving spouses of military personnel who died while on active duty or while in retired status, and family members
- unremarried former spouses who were married to a military member for at least 20 years while the military member was on active duty of the armed forces, and their family members

⁷⁷⁷ Ibid, 4-3, 4.4, and 5-10 through 5-17.

⁷⁷⁸ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷⁷⁹ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 5-17 to 5-19 (2010).

- surviving children of a Service member, when not adopted by new parents, under 21 years old (or over if they are incapable of supporting themselves, or 23 years old if they are in full-time study)
- DHS and DoD civilian employees and their family members when stationed outside the United States
- U.S. Federal employees when stationed outside the United States
- medical personnel under contract to the Coast Guard or DoD when they are residing on the installation
- military and civilian personnel of foreign nations and their family members when on orders from the U.S. Armed Forces, or in overseas areas when the host command grants privileges in the best interest of the United States
- paid members of the American Red Cross (ARC), Young Men's and Women's Christian Association, United Service Organizations (USO), and other private organizations when assigned to and serving with the U.S. Armed Forces overseas
- U.S. citizens employed by firms under contract to DHS or DoD working on an installation when assigned in areas outside the United States
- DHS and DoD appropriated and nonappropriated funded civilian employees and their family members and retired appropriated and nonappropriated funded civilian employees and their family members and Coast Guard Auxiliaries
- DHS and DoD contract personnel and technical representatives working full time at a Coast Guard unit
- Reserve Officers Training Corps (ROTC) cadets when participating in exercises or practice cruises with the Coast Guard
- former prisoners of war (POW) and spouses of current POWs or Service members missing in action and their family members
- other Federal employees and contractors when working on the Coast Guard installation
- Military Housing Privatization Initiative (MHPI) employees and residents on the installation
- foreign national employees
- guests, when specifically invited and accompanied by an authorized patron
- leaders in the local community designated by the commanding officer
- members of the local community may attend infrequent MWR sponsored events or use Category C programs on a continual basis, when authorized and specifically documented by the commanding officer on a space-available basis⁷⁸⁰

5.2.7.5. CHILD DEVELOPMENT SERVICES

The Coast Guard provides child development services to assist Coast Guard personnel in balancing the competing demands of family life, accomplishing the Coast Guard mission, and improving the economic viability of the family unit.⁷⁸¹ The Coast Guard provides child care in on-site Child Development Centers (CDCs), certified Family Child Care homes (FCCHs), and alternative sites, and also refers parents to child care programs in the local community.⁷⁸² Child Development Services (CDS) protects the health and safety of children and promotes their physical, social, emotional, creative,

⁷⁸⁰ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 3-3 to 3-5 (2010).

⁷⁸¹ Child Development Services Manual, COMDTINST M1754.15, 2-1 (1996).

⁷⁸² Ibid, 2-2 to 2-3.

and intellectual development.⁷⁸³ The Coast Guard CDS instruction states, “Child development services are not an entitlement but are intended to assist the family who must bear the ultimate responsibility for the care and development of the child.”⁷⁸⁴

To meet the demands for child care, the Coast Guard places first priority on assisting personnel who are parents of children younger than age six in locating at least one affordable option for quality child care.⁷⁸⁵ Recruiting and training family child care providers is the second priority.⁷⁸⁶ Assisting personnel with school-age children in locating child care is the third priority.⁷⁸⁷ Parents of children with special needs also receive assistance in accessing child care services.⁷⁸⁸

The Coast Guard requires the facilities used to provide child care and family child care homes be maintained in a safe and healthy manner that safeguards the health of young children.⁷⁸⁹ In these settings, there should be protection from hazards, potential injuries, and infectious diseases.⁷⁹⁰ The care settings are intended to be nurturing and promote children’s physical and psychological health.⁷⁹¹ The Coast Guard Child Care Manual identifies the minimum standard for use in planning quality, safe, and healthy programs for children.⁷⁹²

In FY 2013, the Coast Guard spent approximately \$4.4 million in appropriated funds in support of Child Development Services.⁷⁹³ This amount included \$577,000 for Child Development Centers, \$72,000 for Family Child Care Homes, and \$3.7 million for Community Based Child Care.⁷⁹⁴

5.2.7.5.1. Child Development Centers

The Coast Guard CDCs are facility-based programs that offer services on a regularly scheduled basis at nine⁷⁹⁵ Coast Guard installations⁷⁹⁶ for children age six weeks to six years.⁷⁹⁷ Centers may provide drop-in care when space is available⁷⁹⁸ and offer part-day preschool programs for children three to five years of age.⁷⁹⁹ Programming is designed to foster social, emotional, physical, creative, and intellectual growth for groups of children.⁸⁰⁰ The CDCs are licensed by the local/state licensing agency or accredited by the National Association for the Education of Young Children.⁸⁰¹

⁷⁸³ Ibid, 1-2.

⁷⁸⁴ Ibid, 2-1.

⁷⁸⁵ Ibid.

⁷⁸⁶ Ibid, 2-2.

⁷⁸⁷ Ibid.

⁷⁸⁸ Ibid, 2-2.

⁷⁸⁹ Ibid, 1-1.

⁷⁹⁰ Ibid.

⁷⁹¹ Ibid.

⁷⁹² Ibid.

⁷⁹³ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

⁷⁹⁴ Ibid. See also Child Development Services Manual, COMDTINST M1754.15, 1-1 (1996).

⁷⁹⁵ “Office of Work-Life—Child Development Centers Contact List, U.S. Coast Guard, accessed March 31, 2014, http://www.uscg.mil/worklife/contact_cdc.asp.

⁷⁹⁶ Child Development Management Handbook, Commandant Publication P1754.8, cover memo (1990).

⁷⁹⁷ Child Development Services Manual, COMDTINST M1754.15, 2-1 (1996). See also Child Development Centers, U.S. Coast Guard, accessed http://www.uscg.mil/worklife/child_development_centers.asp.

⁷⁹⁸ Child Development Services Manual, COMDTINST M1754.15, 1-2 (1996).

⁷⁹⁹ Ibid, 1-4.

⁸⁰⁰ Ibid, 1-2.

⁸⁰¹ Child Development Management Handbook, Commandant Publication P1754.8, 10 (1990).

5.2.7.5.2. Family Child Care

Caregivers provide Family Child Care (FCC) in their homes on a regularly scheduled basis for ten hours or more a week by an individual certified by the Coast Guard and who resides in Coast Guard controlled housing.⁸⁰² The parent and provider negotiate the fees.⁸⁰³ Providers may choose to provide night care for children of watchstanders or others whose hours make it difficult to obtain care during a normal eight-hour work day.⁸⁰⁴ The instruction suggests “FCC may be especially useful for infants and toddlers.”⁸⁰⁵

5.2.7.5.3. Separation for Care of Newborns

The temporary separation policy allows active-duty Coast Guard members to temporarily separate, and provides a mechanism for return to active duty.⁸⁰⁶ Under this policy, career-oriented officers and enlisted members receive a one-time separation from active duty for up to two years to care for newborn children.⁸⁰⁷ The intent is the retention of valuable experience and training of members who might otherwise be lost.⁸⁰⁸

5.2.7.5.4. Child Care Subsidy Benefit

The Child Care Subsidy Benefit program assists Coast Guard members who use any Federal child care center, or any state-licensed child care facility.⁸⁰⁹ This subsidy includes child development centers as well as in home child care providers.⁸¹⁰

The USCG Child Care Subsidy Program helps pay child care costs for active Coast Guard members.⁸¹¹ Federal agencies may subsidize child care, for children age 12 and younger.⁸¹² This program applies to Coast Guard members in situations where both parents work, or the member and spouse or partner work or attend school.⁸¹³

Eligibility for the Coast Guard Child Care Subsidy Program depends on total family income (TFI).⁸¹⁴ Recipients are responsible for a family portion of their total child care costs, and the USCG pays the difference directly to the qualifying child care provider, up to the maximum allowed benefit (based on TFI).⁸¹⁵ Table 15 summarizes the available subsidies.

⁸⁰² Child Development Services Manual, COMDTINST M1754.15, 1-3 (1996).

⁸⁰³ Ibid, 5-1.

⁸⁰⁴ Ibid, 2-2.

⁸⁰⁵ Ibid.

⁸⁰⁶ See Military Separations, COMDTINST M1000.4, § 1.E (2011).

⁸⁰⁷ Ibid.

⁸⁰⁸ Ibid.

⁸⁰⁹ Child Development Services Manual, COMDTINST M1754.15, 4-9 to 4-10 and 5-15 to 5-18 (1996). (The General Services Administration (GSA) administers the Child Care Subsidy through an Interagency Agreement entered into between GSA and USCG on January 15, 2014. Copy provided by U.S. Coast Guard, Office of Budget and Programs (CG 821), e-mail to MCRMC, May 29, 2014.)

⁸¹⁰ Ibid.

⁸¹¹ Ibid, 4-9.

⁸¹² Administrative Personnel, 5 CFR 792.203.

⁸¹³ Interagency Agreement Statement of Work entered into between GSA and USCG on January 15, 2014. Copy provided by U.S. Coast Guard, Office of Budget and Programs (CG-821), e-mail to MCRMC, May 29, 2014.

⁸¹⁴ Child Care Program Subsidy Update, ALCOAST 493/12 (2014).

⁸¹⁵ Ibid. Note this update provides a benefit table and average out-of-pocket costs for USCG members.

*Table 15. U.S. Coast Guard Child Care Subsidy Program Benefits -
Effective January 1, 2014⁸¹⁶*

| Fee Category | *Total Family Income | Member Min Portion Per Week/Per Child | Member Min Portion Per Month/Per Child | Max Benefit Child #1 | Max Benefit Child #2 | Max Benefit Child #3 |
|--------------|----------------------|---------------------------------------|--|----------------------|----------------------|----------------------|
| I | 0 - 30,164 | \$58 | \$251 | \$7,800 | \$6,800 | \$6,800 |
| II | 30,165 - 36,627 | \$73 | \$316 | \$6,630 | \$5,630 | \$5,630 |
| III | 36,628 - 47,399 | \$89 | \$386 | \$5,320 | \$4,320 | \$4,320 |
| IV | 47,400 - 59,249 | \$103 | \$446 | \$4,800 | \$3,800 | \$3,800 |
| V | 59,250 - 75,408 | \$119 | \$516 | \$4,020 | \$3,020 | \$3,020 |
| VI | 75,409 - 87,207 | \$130 | \$563 | \$3,240 | \$2,240 | \$2,240 |
| VII | 87,208 - 102,596 | \$134 | \$581 | \$2,560 | \$1,560 | \$1,560 |
| VIII | 102,597 - 128,245 | \$138 | \$598 | \$1,680 | \$680 | \$680 |
| IX | 128,246 & Above | \$142 | \$615 | \$900 | \$0 | \$0 |

Coast Guard Child Development Services programs are available to Coast Guard personnel, both military and civilian.⁸¹⁷

Coast Guard unit child care was originally spouse-sponsored.⁸¹⁸ The purpose was so that children could play with others of their own age.⁸¹⁹ It was also provided so that “mothers could keep doctor’s appointments, volunteer their services to community projects, and socialize with other spouses.”⁸²⁰ Over time, the Coast Guard workforce became more diverse and services expanded to meet the needs of working parents.⁸²¹

Coast Guard CDCs operate using both appropriated and nonappropriated funds.⁸²² Coast Guard child care fees have a sliding scale based on total family income.⁸²³ “[Coast] Guard fee guidelines indicate fees charged should be between 50 and 75 percent of the commercial child care rates/fees charged in the local Coast Guard center’s geographic area.”⁸²⁴

5.2.7.6. YOUTH ACTIVITIES

Coast Guard Youth Activities provide planned and self-directed activities and events responding to the recreational, developmental, social, physiological, psychological, cultural, and educational needs of youth through the age of 18.⁸²⁵ These activities support the acquisition of lifelong skills and are offered within a physically and

⁸¹⁶ “U.S. Coast Guard Child Care Subsidy Program, Benefit Table,” GSA Child Care Information Portal, accessed May 29, 2014, http://financeweb.gsa.gov/childcare_portal/childcare_coastguard_benefit_table.

⁸¹⁷ Child Development Services Manual, COMDTINST M1754.15, 2-1 (1996).

⁸¹⁸ Ibid, 1-1.

⁸¹⁹ Ibid.

⁸²⁰ Ibid.

⁸²¹ Ibid.

⁸²² Ibid, 2-3.

⁸²³ Ibid, 4-6.

⁸²⁴ Ibid.

⁸²⁵ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 5-9 (2010).

emotionally safe environment that includes appropriately trained staff.⁸²⁶ A Youth Center or Community Center may serve as the hub for these activities.⁸²⁷

Youth activities vary across the Coast Guard and are not uniformly developed, funded, or administered due to the geographic dispersion of Coast Guard units (of 843 units, only 73 have more than 100 assigned personnel).⁸²⁸ Most activities focus on recreation, fitness, and sports.⁸²⁹

Two commands, Cape Cod and Cape May, have established relationships with the local 4-H program.⁸³⁰ Kodiak, Cape Cod, Borinquen, and Petaluma have aligned the on-base youth program with the Boys & Girls Clubs of America (B&GCA).⁸³¹ This alignment allows the programs to use the academic, character, citizenship and healthy lifestyles programming offered through B&GCA.⁸³² Other units have also aligned with B&GCA through the Mission Youth Outreach program.⁸³³ This alignment allows active-duty members to enroll their children in B&GCAs “outside the gate” in the local community, with the Coast Guard Community Services Command paying the annual registration fee.⁸³⁴

In FY 2013, the Coast Guard spent approximately \$6,000 in appropriated funds in support of youth activities.⁸³⁵

5.2.8. SUBSISTENCE FEEDING/ESSENTIAL DINING

The Coast Guard operates approximately 395 Coast Guard Dining Facilities (CGDFs) to “provide nutritious, well-balanced meals to all authorized personnel.”⁸³⁶ Consistent with the other Armed Services, Coast Guard enlisted personnel either receive an allowance, enlisted basic allowance for subsistence (ENL BAS), or are fed by the Coast Guard, known as subsistence-in-kind (SIK).⁸³⁷ “SIK is the traditional means to provide food service support for all recruits, enlisted members, Officer Candidate School (OCS) students, Academy cadets, Class ‘A’ School students, and students attending educational enrichment programs. If SIK is unavailable from a Government dining facility, a commercial contract to provide SIK is authorized.”⁸³⁸

As an alternative to SIK, all enlisted personnel who have completed basic training can apply for monthly ENL BAS, but only receive it under certain conditions, with the approval of their Commanding Officer or Officer in Charge.⁸³⁹ Officers receive officer

⁸²⁶ Ibid.

⁸²⁷ Ibid.

⁸²⁸ Data 2014 USCG Youth Activities Program Operations provided by USCG Office of Work-Life, e-mail to MCRMC, April 8, 2014.

⁸²⁹ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13C, 5-9 (2010).

⁸³⁰ Data 2014 USCG Youth Activities Program Operations provided by USCG Office of Work-Life, e-mail to MCRMC, April 8, 2014.

⁸³¹ Ibid.

⁸³² Ibid.

⁸³³ Ibid.

⁸³⁴ Ibid.

⁸³⁵ Data provided by U.S. Coast Guard, Office of Budget and Programs (CG-821), e-mail to MCRMC, May 21, 2014.

⁸³⁶ Coast Guard Food Service Manual, COMDTINST M 4061.5A, 1-1 (2009).

⁸³⁷ Ibid, 1-1.

⁸³⁸ Ibid.

⁸³⁹ Ibid, 1-3.

basic allowance for subsistence (OFF BAS) and are not required to eat in CGDFs.⁸⁴⁰ BAS does not fully pay for meal costs.⁸⁴¹

In FY 2013, the Coast Guard spent approximately \$38.1 million in appropriated funds in support of subsistence feeding.⁸⁴²

5.3. DEPARTMENT OF VETERANS AFFAIRS PROGRAMS

5.3.1. BURIAL AND MEMORIAL BENEFITS

The Department of Veterans Affairs (VA) provides burial and memorial benefits for eligible veterans and their dependents. These benefits include burial; headstones, markers, and medallions; memorialization on memorial walls; burial flags; presidential memorial certificates; reimbursement of burial expenses; plot allowances; and Military funeral honors.⁸⁴³ VA maintains more than 3.2 million gravesites at 131 national cemeteries in 40 States and Puerto Rico, as well as 33 soldiers' lots and monument sites.⁸⁴⁴

5.3.1.1. BURIAL

Burial in a VA national cemetery is available at no cost for veterans and certain individuals, including, but not limited to, veterans of the Military Services discharged from active duty under conditions other-than-dishonorable with at least 24 months of service, uniformed Service members who die while on active duty, any member of a Reserve Component, and any member of the Army or Air National Guard, whose death occurs under honorable conditions while such member is hospitalized or undergoing treatment, at the expense of the United States, for injury or disease contracted or incurred under honorable conditions while such member is performing active duty for training, inactive-duty training, and spouses and dependent children of veterans.⁸⁴⁵ VA operates 131 national cemeteries.⁸⁴⁶ Burial options are limited to those available at a specific national cemetery, and may include an in-ground casket or interment of cremated remains in a columbarium, in-ground, or in a scattering area.⁸⁴⁷

5.3.1.2. HEADSTONES, MARKERS, AND MEDALLIONS

Veterans, active-duty Service members of the Armed Forces, and retired Reservists and National Guardsmen buried in a private cemetery, whose deaths occurred on or

⁸⁴⁰ Ibid.

⁸⁴¹ Ibid, 1-4.

⁸⁴² Data provided by U.S. Coast Guard, Office of Budget and Programs (CG-821), e-mail to MCRMC, May 21, 2014.

⁸⁴³ Veterans' Benefits, 38 U.S.C. §§ 2301-2308, 2400-2414.

⁸⁴⁴ "Burial Benefits," Department of Veterans Affairs, accessed June 17, 2014,

<http://www.cem.va.gov/cem/cems/index.asp>.

⁸⁴⁵ Veterans' Benefits, 38 U.S.C. § 2402. See also Veterans' Benefits, 38 U.S.C. § 5303A(b).

⁸⁴⁶ "Burial Benefits," Department of Veterans Affairs, accessed June 17, 2014,

<http://www.cem.va.gov/cem/cems/index.asp>.

⁸⁴⁷ See also "Burial Benefits," Department of Veterans' Affairs, accessed March 20, 2014,

http://www.cem.va.gov/burial_benefits/index.asp.

after November 1, 1990, are eligible for an inscribed headstone or marker for their unmarked grave at any cemetery—national, State veterans, tribal, or private—or VA may furnish a medallion to affix to an already existing privately-purchased headstone or marker.⁸⁴⁸ Spouses and dependent children are eligible for a Government headstone or marker only if they are buried in a national or State Veteran’s cemetery.⁸⁴⁹ VA will deliver a headstone or marker at no cost, anywhere in the world.⁸⁵⁰

5.3.1.3. MEMORIALIZATION ON MEMORIAL WALLS

When the remains of an eligible veteran or family member are not available for burial because they have not been recovered or identified, were donated to science, buried at sea, or cremated and scattered, the decedent is entitled to a memorial headstone or marker.⁸⁵¹ All new National Cemeteries and existing National Cemeteries with expansion projects have a dedicated memorialization wall to display individual memorial markers.⁸⁵²

5.3.1.4. BURIAL FLAGS

Upon request, VA provides a U.S. flag to drape the casket of a veteran who received an other-than-dishonorable discharge.⁸⁵³ This program includes active-duty Service members who were veterans of any war, or of service after January 31, 1955, have served at least their initial obligation; or have been discharged or released from the active military, naval, or air service for a disability incurred or aggravated in line of duty.⁸⁵⁴ This provision also includes each deceased member or former member of the Selected Reserve who completed his or her initial obligation, was discharged before completing his or her obligation for a disability incurred or aggravate in line of duty, or died while a member of the Selected Reserve.⁸⁵⁵ After a burial flag has been used to honor the veteran, the flag is given to the veteran’s next of kin.⁸⁵⁶

5.3.1.5. PRESIDENTIAL MEMORIAL CERTIFICATES

A Presidential Memorial Certificate is an engraved paper certificate, signed by the current President, to honor the memory of honorably discharged deceased veterans of the Armed Forces.⁸⁵⁷ Next of kin, relatives and other loved ones may apply for a certificate by submitting a Presidential Memorial Certificate Request Form along with a copy of the veteran’s military discharge documents or proof of honorable military

⁸⁴⁸ Veterans’ Benefits, 38 U.S.C. § 2306(d)(4); Schedule for Rating Disabilities, 38 CFR 38.631.

⁸⁴⁹ Schedule for Rating Disabilities, 38 CFR 38.630(c)(3)(ii).

⁸⁵⁰ “Federal Benefits for Veterans, Dependents, and Survivors; Chapter 8 – Burial and Memorial Benefits (2014 Edition)” Department of Veterans Affairs, http://www.va.gov/opa/publications/benefits_book/benefits_chap08.asp, March 20, 2014.

⁸⁵¹ Veterans’ Benefits, 38 U.S.C. § 2403(a).

⁸⁵² VA Memorandum, Memorial Walls in VA National Cemeteries, April 13, 2009.

⁸⁵³ Veterans’ Benefits, 38 U.S.C. § 2301, Flags.

⁸⁵⁴ Veterans’ Benefits, 38 U.S.C. § 2301(a)(1).

⁸⁵⁵ Veterans’ Benefits, 38 U.S.C. § 2301(f)(1).

⁸⁵⁶ Veterans’ Benefits, 38 U.S.C. § 2301(b), Flags.

⁸⁵⁷ Veterans’ Benefits, 38 U.S.C. § 112.

service.⁸⁵⁸ There is no restriction on the number of Presidential Memorial Certificates a veteran's family may request.⁸⁵⁹

5.3.1.6. REIMBURSEMENT OF BURIAL EXPENSES

Applicants for VA burial allowances may be anyone who paid for a veteran's burial or funeral when the veteran was discharged under conditions other-than-dishonorable.⁸⁶⁰ Upon request, VA pays a burial and funeral allowance of up to \$2,000 for veterans who die from a service-connected disability.⁸⁶¹ VA will pay a burial and funeral allowance of up to \$300 for veterans who, at the time of death from nonservice-connected causes, were entitled to receive pension or compensation, or would have been entitled if they were not receiving military retirement pay.⁸⁶² VA will pay a burial and funeral allowance of up to \$734 when the veteran's death occurs in a VA facility, a VA-contracted nursing home, or a State veteran's nursing home.⁸⁶³ In cases in which the veteran's death was not service connected, claims must be filed within two years after burial or cremation.⁸⁶⁴

5.3.1.7. PLOT ALLOWANCES

Upon request, VA pays a plot allowance of up to \$734 when:

- the veteran is buried in a cemetery not under U.S. Government jurisdiction, and
- the veteran is discharged from active duty because of a disability incurred or aggravated in the line of duty, or
- the veteran is receiving compensation or a pension or would have been if the veteran was not receiving military retired pay, or
- the veteran dies in a VA facility⁸⁶⁵

5.3.1.8. MILITARY FUNERAL HONORS

Upon request, DoD will provide military funeral honors consisting of the folding and the presenting of the U.S. flag and the playing of "Taps."⁸⁶⁶ A funeral honors detail consists of two or more uniformed members of the Armed Forces, with at least one member from the deceased's Service branch for Service members with a discharge other-than-dishonorable.⁸⁶⁷

⁸⁵⁸ Ibid. See also "Federal Benefits for Veterans, Dependents and Survivors," accessed March 19, 2014, Department of Veterans Affairs, http://www.va.gov/opa/publications/benefits_book/benefits_chap08.asp.

⁸⁵⁹ Veterans' Benefits, 38 U.S.C. § 112(a).

⁸⁶⁰ See Schedule for Rating Disabilities, 38 CFR 3.1601.

⁸⁶¹ Veterans' Benefits, 38 U.S.C. § 2307.

⁸⁶² Veterans' Benefits, 38 U.S.C. § 2302.

⁸⁶³ Veterans' Benefits, 38 U.S.C. § 2303(a). "Burial and Plot-Interment Allowances," Department of Veterans' Affairs, accessed June 12, 2014, <http://www.benefits.va.gov/BENEFITS/factsheets/burials/Burial.pdf>.

⁸⁶⁴ Schedule for Rating Disabilities, 38 CFR 3.1601(a).

⁸⁶⁵ Veterans' Benefits, 38 U.S.C. § 2303.

⁸⁶⁶ Armed Forces, 10 U.S.C. § 1491(c).

⁸⁶⁷ Armed Forces, 10 U.S.C. § 1491(b).

Beneficiaries

Burial

Any veteran, which includes a person who died in the active military, naval, or air service, is eligible for burial in a national cemetery.⁸⁶⁸ Eligibility also includes any member of a Reserve Component “whose death occurs under honorable conditions while such member is hospitalized or undergoing treatment, at the expense of the United States, for injury or disease contracted or incurred under honorable conditions while such member is performing active duty for training, inactive duty training, or undergoing that hospitalization or treatment at the expense of the United States.”⁸⁶⁹ Spouses and dependent children are also eligible if the veteran spouse/parent is eligible.⁸⁷⁰ If the qualifying veteran or Reserve Component member entered service after September 7, 1980, he/she must complete the shorter of 24 months of continuous active duty or the full period for which the Service member was called to active duty.⁸⁷¹

Headstones, Markers, and Medallions

Eligibility for Headstone, Marker, and Medallion benefits includes veterans, active-duty members of the Military Services, and retired Reservists and National Guardsmen buried in a private cemetery whose deaths occurred on or after November 1, 1990.⁸⁷²

Memorialization on Memorial Walls

Eligibility for memorialization on memorial walls includes veterans or family members who are not available for burial because they have not been recovered or identified, were donated to science, buried at sea, or cremated and scattered.⁸⁷³

Burial Flag

Eligibility for burial flags includes Service members who served in the Armed Forces on active duty after January 31, 1955, retired Reservists and National Guardsmen, and members or former members of the Selected Reserve who served their initial obligation, or were discharged for a disability incurred or aggravated in the line of duty, or died while a member of the Selected Reserve.⁸⁷⁴

Presidential Memorial Certificates

Presidential memorial certificates may be provided to next of kin, relatives, and other loved ones of honorably discharged deceased veterans of the Military Services.⁸⁷⁵

Reimbursement of Burial Expenses

Eligibility for reimbursement of burial expenses includes veterans of the Military Services who die from service-connected causes; veterans who, at the time of death from nonservice-connected causes, were entitled to receive pension or compensation or would have been entitled if they were not receiving military retirement pay; and

⁸⁶⁸ Veterans' Benefits, 38 U.S.C. § 2402.

⁸⁶⁹ Ibid.

⁸⁷⁰ Ibid.

⁸⁷¹ Veterans' Benefits, 38 U.S.C. § 5303A. For a list of exceptions to this general rule, see Veterans' Benefits, 38 U.S.C. § 5303A(b)(3).

⁸⁷² Schedule for Rating Disabilities, 38 CFR 38.631.

⁸⁷³ Veterans' Benefits, 38 U.S.C. § 2403(a).

⁸⁷⁴ Veterans' Benefits, 38 U.S.C. § 2301.

⁸⁷⁵ Veterans' Benefits, 38 U.S.C. § 112.

veterans whose deaths occur in a VA facility, a VA-contracted nursing home, or a State veteran's nursing home.⁸⁷⁶

Plot Allowance

Veterans buried in a cemetery not under U.S. Government jurisdiction are eligible for a plot allowance if:

- the veteran is discharged from active duty because of a disability incurred or aggravated in the line of duty, or
- the veteran is receiving compensation or a pension or would have been if the veteran was not receiving military retired pay, or
- the veteran dies in a VA facility⁸⁷⁷

Military Funeral Honors

Military funeral honors may be provided to members of the Armed Forces with a discharge other-than-dishonorable.⁸⁷⁸

Historical Context

On July 17, 1862, President Lincoln signed the Omnibus Act of 1862, which authorized the president to purchase cemetery grounds that would be used as a national cemetery for soldiers who died in the service of the country.⁸⁷⁹ The National Cemetery Administration traces its roots to this historic legislation, and in 1973, the Congress created a National Cemetery System under the jurisdiction of the VA.⁸⁸⁰

The headstone and marker benefit began during the Civil War to mark the graves of Union soldiers concurrent with the establishment of Federal national cemeteries.⁸⁸¹ In 1879, the Congress authorized the provision of this benefit for the unmarked graves of veterans in cemeteries other than national cemeteries.⁸⁸² In 1962, President Kennedy began the practice of issuing Presidential Memorial Certificates as a way for the President of the United States to express appreciation for the service and sacrifice of individual, deceased, honorably discharged veterans.⁸⁸³ Pub. L. No. 89-88 enacted The Presidential Memorial Certificate Program⁸⁸⁴ and the National Cemetery Administration (NCA) became responsible for administration of the program.⁸⁸⁵ The VA State Cemetery Grants Program was established by Pub. L. No. 95-476 in 1978 to complement VA's network of national cemeteries.⁸⁸⁶

⁸⁷⁶ Veterans' Benefits, 38 U.S.C. §§ 2302, 2303, 2307.

⁸⁷⁷ Veterans' Benefits, 38 U.S.C. § 2303(b).

⁸⁷⁸ Armed Forces, 10 U.S.C. § 1491.

⁸⁷⁹ Act of July 17, 1862, Chapter 200, § 18, 12 Stat. 594, 596 (1862).

⁸⁸⁰ National Cemeteries Act of 1973, Pub. L. No. 93-43, 87 Stat. 75 (1973).

⁸⁸¹ General Orders No. 75, War Dept., Adjutant General's Office (1861).

⁸⁸² Act of February 3, 1879, ch. 44, 20 Stat. 281 (1879).

⁸⁸³ Presidential Memorial Certificates, Department of Veterans Affairs, accessed April 10, 2014, <http://www.cem.va.gov/pmc.asp>.

⁸⁸⁴ Act of July 24, 1965, Pub. L. No. 89-88, 79 Stat. 264 (1965).

⁸⁸⁵ Presidential Memorial Certificates, Department of Veterans Affairs, accessed April 10, 2014, <http://www.cem.va.gov/pmc.asp>.

⁸⁸⁶ Act of October 18, 1978, Pub. L. No. 95-476, § 202(b), 92 Stat. 1497, 1504-1505 (1978).

Financial Summary

In FY 2013, VA's total expenditure of appropriated funds for burial and memorial benefits was \$506 million.⁸⁸⁷ The NCA expended \$306 million to provide 124,785 interments, process 358,572 applications for Government-furnished headstones and markers, and issue 654,470 Presidential Memorial Certificates.⁸⁸⁸ In FY 2013, the Veterans Benefits Administration (VBA) paid out \$200 million in burial obligations on requests for burial allowances, burial plots, service-connected deaths, burial flags, headstones and markers, graveliners, and preplaced crypts.⁸⁸⁹

5.3.2. EDUCATION AND TRAINING ASSISTANCE

Education Assistance benefits are provided to uniformed Service members by multiple agencies including DoD, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), the Department of Education (ED), and the Department of Justice (DOJ).

VA programs include:

- Post-9/11 GI Bill
- Yellow Ribbon GI Education Enhancement Program
- Montgomery GI Bill Active Duty
- Montgomery GI Bill Selected Reserve
- Tuition Assistance Top-Up
- GI Bill Kicker
- Reserve Education Assistance Program
- Post-Vietnam Era Veterans Educational Assistance Program
- Work-Study Program
- Vocational Rehabilitation and Employment
- Education and Career Counseling Program
- Survivors' and Dependents' Educational Assistance Program
- Marine Gunnery Sergeant John David Fry Scholarship

These benefits are described in the Cross-Agency Benefits section of this report—Section 5.8.1 Education Assistance.

5.3.3. HOME LOAN GUARANTY

The Department of Veterans Affairs (VA) guarantees loans made by private-sector lenders to help eligible Service members, veterans, reservists, National Guardsmen, and certain unmarried surviving spouses obtain homes, condominiums, and manufactured homes, and to refinance loans using the Home Loan Guaranty Program.⁸⁹⁰ The guaranty amount is what VA can pay a lender, should the loan go to foreclosure. VA's guaranteed home loans have a maximum guaranty amount,⁸⁹¹ which

⁸⁸⁷ FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration, VBA-4, NCA-6, accessed May 6, 2014, <http://www4.va.gov/budget/products.asp>.

⁸⁸⁸ FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration, VBA-4, NCA-12, NCA-13, accessed May 6, 2014, <http://www4.va.gov/budget/products.asp>.

⁸⁸⁹ Ibid, VBA-3.

⁸⁹⁰ See *generally* Veterans' Benefits, 38 U.S.C. §§ 3701-3775.

⁸⁹¹ See Veterans' Benefits, 38 U.S.C. § 3703.

is typically 25 percent of the Freddie Mac Conforming Loan Limit as determined annually by the Federal Housing Finance Agency.⁸⁹²

5.3.3.1. PURCHASE LOANS

Purchase loans help eligible participants purchase a home at a competitive interest rate, often without requiring a down payment or private mortgage insurance.⁸⁹³ VA loans also provide limitations on the fees and charges that are incurred as part of a home loan transaction.⁸⁹⁴

5.3.3.2. CASH OUT REFINANCE

Cash out refinance loans allow participants to take cash out of their home's equity for certain situations, such as to make home improvements.⁸⁹⁵ The amount of the refinance loan may not exceed an amount equal to 90 percent of the reasonable value of the home.⁸⁹⁶

5.3.3.3. INTEREST RATE REDUCTION REFINANCE LOAN

An Interest Rate Reduction Refinance Loan can help participants obtain a lower interest rate by refinancing an existing VA loan.⁸⁹⁷ The loan applicant must meet certain requirements and the refinancing loan will have a restricted dollar amount.⁸⁹⁸

5.3.3.4. NATIVE AMERICAN DIRECT LOAN

The Native American Direct Loan Program helps eligible Native American Veterans finance the purchase, construction, or improvement of homes on Federal Trust Land.⁸⁹⁹ A Native American Direct Loan may be made only pursuant to specific regulatory requirements to include that of a memorandum of understanding between VA (or in certain situations another federal department or agency) and a tribal organization that has jurisdiction over the veteran.⁹⁰⁰

5.3.3.5. SPECIALLY ADAPTED HOUSING GRANTS

Specially adapted housing grants help veterans who have certain service-connected disabilities build, purchase, or modify their homes to meet their unique housing needs.⁹⁰¹

⁸⁹² See Veterans' Benefits, 38 U.S.C. § 3710(e)(1)(D)(ii).

⁸⁹³ Veterans' Benefits, 38 U.S.C. § 3710 (purchase or construction of homes) and 3711 (direct loans to veterans to provide housing credit for veterans living in rural areas and small cities and towns).

⁸⁹⁴ See generally Schedule for Rating Disabilities, 38 CFR 36.4313.

⁸⁹⁵ See Veterans' Benefits, 38 U.S.C. § 3710. See also Schedule for Rating Disabilities, 38 CFR 36.4306.

⁸⁹⁶ Schedule for Rating Disabilities, 38 CFR 36.4306.

⁸⁹⁷ Schedule for Rating Disabilities, 38 CFR 36.4307.

⁸⁹⁸ Ibid.

⁸⁹⁹ See Veterans' Benefits, 38 U.S.C. § 3761. See also Schedule for Rating Disabilities, 38 CFR 36.4527.

⁹⁰⁰ Schedule for Rating Disabilities, 38 CFR 36.4257.

⁹⁰¹ See generally Schedule for Rating Disabilities, 38 CFR 36.4400-4411.

Beneficiaries

Members of the Armed Forces⁹⁰² who served on active duty for 90 days or more at any time during the “Persian Gulf War,” with limited exceptions, are eligible for housing loan benefits.⁹⁰³ Members of the Reserves and National Guard may be eligible upon completion of six years of service including members of the Selected Reserve who were discharged or released earlier due to a service-connected disability.⁹⁰⁴ Some unmarried surviving spouses of veterans may have home loan eligibility.⁹⁰⁵ Applicable situations include the unmarried surviving spouse of a veteran who dies as a result of service or service-connected causes; who dies on active duty or from service-connected causes; or who is an active-duty member listed as missing in action (MIA) or a prisoner of war (POW) for more than 90 days.⁹⁰⁶ Surviving spouses who remarry may continue to remain eligible for VA Home Loans if they meet eligibility requirements.⁹⁰⁷ Additional eligibility requirements can be found in 38 U.S.C. §§ 3701 and 3702.

Historical Context

The Servicemember Readjustment Act of 1944, also known as the World War II GI Bill, provided housing and assistance to veterans and their families by offering home, business, and farm loans that required no down payment for up to \$2,000 with 50 percent Federally guaranteed.⁹⁰⁸ At the end of 1956, the World War II GI Bill had helped train and educate 7.8 million veterans and the VA had guaranteed \$50.1 billion for 5.9 million home loans.⁹⁰⁹

Financial Summary

In FY 2013, the VA guaranteed 600,023 home loans totaling \$134.9 billion in guaranteed loans. The VA spent \$126.8 million in FY 2013 to administer the Home Loan Program.⁹¹⁰

5.3.4. LIFE INSURANCE PROGRAMS

The Department of Veterans Affairs (VA) provides life insurance benefits to uniformed Service members, veterans, and their families. Current programs include Service members’ Group Life Insurance (SGLI), Servicemembers’ Group Life Insurance Traumatic Injury Protection (TSGLI), Family Servicemembers’ Group Life Insurance (FSGLI), Veterans’ Group Life Insurance (VGLI), Service-Disabled Veterans’ Life Insurance (S-DVI), and Veterans’ Mortgage Life Insurance (VMLI).

⁹⁰² Veterans’ Benefits, 38 U.S.C. § 3701(b)(4) (discussing that the term “veteran” includes an individual serving on active duty). *See also* Veterans’ Benefits, 38 U.S.C. § 3701(c) (Commissioned Officers of NOAA and USPHS are not afforded these benefits except in certain situations).

⁹⁰³ Veterans’ Benefits, 38 U.S.C. § 3702 (a)(2). The period of the Persian Gulf War is defined by VA as period beginning August 2, 1990, through a date to be set. Veterans’ Benefits, 38 U.S.C. § 101(38). Schedule for Rating Disabilities, 38 CFR 3.2(1).

⁹⁰⁴ Veterans’ Benefits, 38 U.S.C. § 3701(b)(5)(A).

⁹⁰⁵ Veterans’ Benefits, 38 U.S.C. § 3701(b)(2).

⁹⁰⁶ Veterans’ Benefits, 38 U.S.C. § 3701(b)(3).

⁹⁰⁷ *Ibid.*

⁹⁰⁸ Servicemen’s Readjustment Act of 1944, Pub. L. No. 78-364, §§ 500-503, 58 Stat. 284, 291 (1944).

⁹⁰⁹ “VA History in Brief,” Department of Veterans Affairs, 14, accessed March 13, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

⁹¹⁰ Department of Veterans Affairs, *FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration*, VBA-72, VBA-235, accessed May 6, 2014, <http://www4.va.gov/budget/products.asp>.

5.3.4.1. SERVICEMEMBERS' GROUP LIFE INSURANCE

Servicemembers' Group Life Insurance (SGLI) is a group term life insurance program for uniformed Service members.⁹¹¹ SGLI is available to members of the Military Services on active duty, commissioned members of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets or midshipmen of the U.S. Service Academies and of the Reserve Officer Training Corps (ROTC) while engaged in authorized training and practice cruises, members of the Ready Reserves/National Guard who are scheduled to perform at least 12 periods of inactive training per year, and Ready Reserves/National Guard members who volunteer for a mobilization category in the Individual Ready Reserve.⁹¹² Members are automatically insured for \$400,000 but may elect to be covered for a lesser amount, that is evenly divisible by \$50,000, or to decline coverage altogether.⁹¹³

Active-duty personnel are covered during the period of active-duty or inactive-duty training and for 120 days following separation or release from duty.⁹¹⁴ Coverage can be extended for up to two years if the Service member is totally disabled at separation.⁹¹⁵ Reservists or National Guard members who have been assigned to a unit or position in which such person may be required to perform active duty, or active duty for training, and each year will be scheduled to perform at least 12 periods of inactive-duty training that is creditable for retirement purposes are also covered to include 120 days following separation or release from duty.⁹¹⁶ Members covered for a period of fewer than 31 days do not receive 120 days of free coverage after separation unless they incur or aggravate a disability during a period of duty.⁹¹⁷

5.3.4.1.1. Servicemembers' Group Life Insurance Traumatic Injury Protection

Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) is an automatic feature (or rider) of SGLI that provides payments to Service members who suffer a traumatic injury during service such as amputations, blindness, or paraplegia.⁹¹⁸ TSGLI helps severely injured Service members who have suffered physical losses with a one-time payment of up to \$100,000.⁹¹⁹ The amount varies depending on the loss; however, the minimum payment is \$25,000.⁹²⁰

TSGLI cannot be declined unless the Service member also declines basic SGLI.⁹²¹ TSGLI claims are adjudicated by the individual Military Service and a covered Service member may receive more than one TSGLI payment for unique incidents.⁹²²

⁹¹¹ Veterans' Benefits, 38 U.S.C. §§ 1965-1980A (2014). *See also* Schedule for Rating Disabilities, 38 CFR 9.

⁹¹² Veterans' Benefits, 38 U.S.C. § 1967.

⁹¹³ *Ibid.*

⁹¹⁴ Veterans' Benefits, 38 U.S.C. § 1968.

⁹¹⁵ *Ibid.*

⁹¹⁶ *See* Armed Forces, 10 U.S.C. § 12732 and Veterans' Benefits, 38 U.S.C. § 1965(5)(B).

⁹¹⁷ Veterans' Benefits, 38 U.S.C. § 1968.

⁹¹⁸ *See* Veterans' Benefits, 38 U.S.C. § 1980. Schedule for Rating Disabilities, 38 CFR 9.20.

⁹¹⁹ Schedule for Rating Disabilities, 38 CFR 9.20(e)(2).

⁹²⁰ Schedule for Rating Disabilities, 38 CFR 9.20(f).

⁹²¹ Schedule for Rating Disabilities, 38 CFR 9.20(d)(1) (TSGLI exists only as an automatic rider for those who are insured under SGLI; if a member declines SGLI, there is no availability to TSGLI).

⁹²² Schedule for Rating Disabilities, 38 CFR 9.2(g).

5.3.4.2. FAMILY SERVICEMEMBERS' GROUP LIFE INSURANCE

Family Servicemembers' Group Life Insurance (FSGLI) insures spouses and children of Service members with SGLI coverage.⁹²³ FSGLI provides up to \$100,000 of life insurance coverage for spouses of Service members with full-time SGLI coverage, not to exceed the amount of SGLI the member has in force.⁹²⁴ FSGLI is a Service members' benefit. The member pays the premium and is the only person allowed to be the beneficiary of the coverage. Generally, FSGLI spousal coverage ends when the Service member elects in writing to terminate coverage on the spouse, the Service member elects to terminate his or her own SGLI coverage, the Service member dies, the Service member separates from service, or the Service member is divorced from the spouse.⁹²⁵ The insured spouse may convert his or her FSGLI coverage to a permanent policy offered by participating private insurers within 120 days of the date of any of the termination events noted above.⁹²⁶ FSGLI dependent coverage of \$10,000 is also automatically provided for dependent children of Service members insured under SGLI, with no premium required.⁹²⁷

5.3.4.3. VETERANS' GROUP LIFE INSURANCE

Veterans' Group Life Insurance (VGLI) allows veterans to convert their SGLI to a civilian program of lifetime renewable term coverage after separation from Service. VGLI provides renewable term coverage to: (1) Veterans who had full-time SGLI coverage upon separation from active duty or the reserves; (2) Members of the Ready Reserves/National Guard with part-time SGLI coverage who incur a disability or aggravate a preexisting disability during a period of active duty or a period of inactive duty for less than 31 days that renders them uninsurable at standard premium rates; and (3) Members of the Individual Ready Reserve and Inactive National Guard.⁹²⁸

VGLI policy holders who are younger than age 60 and have less than \$400,000 in coverage can purchase up to \$25,000 of additional coverage on each five-year anniversary of their coverage, up to the maximum \$400,000.⁹²⁹ No medical underwriting is required for the additional coverage.⁹³⁰ Service members must apply for VGLI within one year and 120 days from separation. Service members discharged on or after November 1, 2012, who apply for VGLI within 240 days of separation do not need to submit evidence of good health, while Service members who apply after the 240-day period must submit evidence of insurability.⁹³¹

⁹²³ Veterans' Benefits, 38 U.S.C. § 1967.

⁹²⁴ Veterans' Benefits, 38 U.S.C. § 1967. ("Family Servicemembers' Group Life Insurance" is the term used by the Department of Veterans Affairs when referring to the insurance coverage provided for spouses and children of Service members. This term does not appear in the U.S. Code provision. See "Family Servicemember's Group Life Insurance," Department of Veterans Affairs, accessed May 27, 2014, <http://benefits.va.gov/insurance/fsgli.asp>.)

⁹²⁵ Veterans' Benefits, 38 U.S.C. § 1968.

⁹²⁶ Veterans' Benefits, 38 U.S.C. § 1968(b)(3)(A) ("participating company"), 38 CFR 9.1(e) ("converter"), and Schedule for Rating Disabilities, 38 CFR 9.9 ("conversion privilege").

⁹²⁷ Veterans' Benefits, 38 U.S.C. § 1967.

⁹²⁸ Ibid. See also Schedule for Rating Disabilities, 38 CFR 9.2.

⁹²⁹ Veterans' Benefits, 38 U.S.C. §§ 1967 and 1977.

⁹³⁰ Veterans' Benefits, 38 U.S.C. § 1977(a) (the only requirements needed to increase coverage are that the insured be a person under the age of 60 and the total amount for which the person is insured does not exceed an amount provided for in the law).

⁹³¹ Veterans' Benefits, 38 U.S.C. § 1977.

5.3.4.4. SERVICE-DISABLED VETERANS' LIFE INSURANCE

Service-Disabled Veterans' Life Insurance (S-DVI) generally provides life insurance coverage to veterans who have been given a VA rating for a new service-connected disability in the last two years.⁹³² Totally disabled veterans are eligible for free coverage and have the opportunity to purchase additional life insurance.⁹³³ Veterans who separated from Service on or after April 25, 1951, under other-than-dishonorable conditions who have service-connected disabilities, even zero percent disability, but are otherwise in good health, may apply to VA for up to \$10,000 in life insurance coverage under the S-DVI program.⁹³⁴ Applications must be submitted within two years from the date of being notified of the approval of a new service-connected disability by VA.⁹³⁵

Veterans who are totally disabled may apply for a waiver of premiums and additional supplemental insurance coverage of up to \$30,000.⁹³⁶ However, premiums cannot be waived on the additional supplemental insurance. To be eligible for this type of supplemental insurance, veterans must meet all of the following three requirements: (1) younger than age 65; (2) eligible for a waiver of premiums due to total disability; and (3) apply for additional insurance within one year from the date of notification of waiver approval on the basic S-DVI policy.⁹³⁷ The premium that veterans pay for S-DVI coverage will depend on their age, type of plan (term or permanent), and amount of coverage.

5.3.4.5. VETERANS' MORTGAGE LIFE INSURANCE

Veterans' Mortgage Life Insurance (VMLI) is mortgage protection insurance available to severely disabled veterans and Service members who have been approved by VA for a Specially Adapted Housing Grant (SAH).⁹³⁸ Maximum coverage is the smaller of the existing mortgage balance or \$200,000 and is payable only to the mortgage company.⁹³⁹ Protection is issued automatically following SAH approval, provided the veteran submits the mortgage information required to establish a premium and does not decline coverage.⁹⁴⁰ Coverage automatically terminates when the mortgage is paid in full or is disposed of through the sale of the property.⁹⁴¹

Beneficiaries

SGLI

Coverage is automatic for most active-duty Service members, Ready Reserve, and National Guard members scheduled to perform at least 12 periods of inactive training

⁹³² Veterans' Benefits, 38 U.S.C. § 1922(a).

⁹³³ Ibid.

⁹³⁴ Veterans' Benefits, 38 U.S.C. § 1922.

⁹³⁵ Ibid. See also 38 CFR 8.

⁹³⁶ Veterans' Benefits, 38 U.S.C. §§ 1922 and 1922A .

⁹³⁷ Veterans' Benefits, 38 U.S.C. § 1922A .

⁹³⁸ See Veterans' Benefits, 38 U.S.C. § 1968(a) and (b). Veterans' Benefits, 38 U.S.C. § 1977(a),(b), and (h). Schedule for Rating Disabilities, 38 CFR 9.2.

⁹³⁹ Veterans' Benefits, 38 U.S.C. § 2106.

⁹⁴⁰ Ibid.

⁹⁴¹ Ibid.

per year, members of the Commissioned Corps of NOAA and USPHS, cadets and midshipmen of the U.S. military academies, and ROTC members.⁹⁴²

TSGLI

All Service members insured by SGLI are automatically covered by TSGLI.⁹⁴³

FSGLI

FSGLI is automatically provided to spouses and dependent children of Service members insured under SGLI.⁹⁴⁴

VGLI

Service members with full-time SGLI coverage are eligible to convert SGLI to VGLI after separation from service.⁹⁴⁵

S-DVI

Service members who were released from active duty under other-than-dishonorable conditions after April 25, 1951, have been granted service connection for any disability within the last two years, and are in good health except for any service connected conditions may be eligible.⁹⁴⁶

VMLI

Available to veterans who received a Specially Adapted Housing Grant (SAH), have the title to the home, and have a mortgage on the home.⁹⁴⁷

Historical Context⁹⁴⁸

The United States Government first became involved in the insurance business when war broke out in Europe in 1914. Life insurance issued by private life insurers either excluded protection against the extra hazards of war, or if such protection was included, the premium rates were much higher than normal rates. The Congress passed the War Risk Insurance Act in September 1914, providing marine insurance protection for merchant ships supplying the allies. The War Risk Insurance Act was amended in 1917, to cover merchant marine personnel and provided government life insurance to members of the Military Services. More than 4 million policies were issued during World War I. The United States Government Life Insurance (USGLI) program was established in 1919 and replaced War Risk policies. Individuals could keep this coverage after separation from service. This program was suspended in 1951.

The National Service Life Insurance (NSLI) program was established in 1940 to meet the insurance needs of World War II military personnel and veterans. Like USGLI coverage, the insured could keep their NSLI coverage after discharge from service. In 1951, NSLI was replaced by Servicemen's Indemnity Insurance, which automatically covered active-duty Service members for \$10,000 at no cost to the individual. This program ended in 1956.

⁹⁴² Veterans' Benefits, 38 U.S.C. §§ 1965 and 1967.

⁹⁴³ Veterans' Benefits, 38 U.S.C. § 1980A.

⁹⁴⁴ Veterans' Benefits, 38 U.S.C. §§ 1967 and 1968.

⁹⁴⁵ Veterans' Benefits, 38 U.S.C. § 1977.

⁹⁴⁶ Veterans' Benefits, 38 U.S.C. §§ 1917 and 1922.

⁹⁴⁷ Veterans' Benefits, 38 U.S.C. §§ 2101, 2101A, and 2106.

⁹⁴⁸ All information found in this section is taken from Department of Veteran Affairs, 10-11, accessed May 27, 2014, http://www.benefits.va.gov/INSURANCE/docs/2014_VALifeBook.pdf.

Veterans' Special Life Insurance (VSLI) was established in 1951 so that discharged Service members who had Servicemen's Indemnity Insurance could replace their coverage with VSLI. VSLI was closed to new issues at the end of 1956. In 1974, the Veterans' Group Life Insurance (VGLI) program became available to veterans, providing term insurance protection after separation from service for those who had SGLI while in the service.

To meet the insurance needs of Vietnam-era Service members, the Government entered into a cooperative effort with the private insurance industry. In 1965, the Servicemembers' Group Life Insurance (SGLI) program was established. The SGLI program was expanded in 2001 to provide Family Group Life Insurance (FSGLI) and again in 2005 to provide Traumatic Injury Protection Insurance (TSGLI).

Financial Summary

Budget authority is made available automatically to the USGLI and NSLI funds each year by virtue of standing legislation. All obligations of the VSLI and Veterans' Reopened Insurance (VRI) funds are paid from offsetting collections and redemption of investments in U.S. Treasury securities. All obligations of the Service-Disabled Veterans' Insurance (S-DVI) fund are paid by transfers from the Veterans Insurance and Indemnities (VI&I) fund and other offsetting collections. Obligations of the SGLI program, which includes TSGLI and FSGLI, are financed from premium collections, interest on investments, and extra hazard payments from service branches.⁹⁴⁹

In FY 2013, the VA insurance program provided \$1.3 trillion of life insurance to more than 6.7 million individuals.⁹⁵⁰ In FY 2013, coverage was provided to 2.4 million Service members, 1.2 million veterans, and 3.1 million spouses and children.⁹⁵¹ In FY 2013, the Congress appropriated \$105 million VI&I fund.⁹⁵² Table 16 provides a financial summary of VA life insurance programs that are open to new issues for FY 2013.⁹⁵³

⁹⁴⁹ Department of Veterans Affairs, *FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration*, VBA-97, accessed May 27, 2014, <http://www4.va.gov/budget/products.asp>.

⁹⁵⁰ Department of Veterans Affairs, *FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration*, VBA-96 and VBA-105, accessed May 27, 2014, <http://www4.va.gov/budget/products.asp>.

⁹⁵¹ Ibid.

⁹⁵² Ibid.

⁹⁵³ Information found on chart was provided by Department of Veterans Affairs, Life Insurance Center, e-mail to MCRMC, February 27, 2014.

Table 16. VA Life Insurance Programs Financial Summary

| Life Insurance Program | Appropriated Funds Used Outlay | Extra Hazards Funding (d) | Intake Premiums | Covered Lives | Number of Claims Paid | Amount of Claims Paid |
|------------------------|--------------------------------|---------------------------|------------------------|------------------|-----------------------|------------------------|
| SGLI | a, b | \$117,972,735 | \$656,691,899 | 2,365,500 | 2,036 | \$716,258,605 |
| TSGLI | a, b | \$81,650,000 | \$27,044,774 | c | 1,404 | \$64,142,500 |
| FSGLI | a, b | N/A | \$93,342,488 | 3,103,000 | 2,383 | \$94,265,025 |
| VGLI | a, b | N/A | \$297,088,303 | 425,990 | 2,892 | \$304,614,999 |
| S-DVI | \$63,514,390 | N/A | \$51,260,890 | 219,523 | 9,146 | \$96,650,000 |
| VMLI | \$25,444,231 | N/A | \$4,688,377 | 2,419 | 213 | \$30,132,855 |
| Total | \$88,958,621 | \$199,622,735 | \$1,130,116,731 | 6,116,432 | 18,074 | \$1,306,063,984 |

- a. These programs are required by law to be self-supporting except for the costs traceable to the extra hazards of military service.
- b. Administrative expenses, reinsurance charges, and taxes for these programs totaled \$36.3 million in policy year 2013 (July 1, 2012–June 30, 2013). These expenses were covered by member premiums.
- c. SGLI members are automatically covered under TSGLI.
- d. Each of the military Services reimburses VA for Extra Hazard costs.

5.3.5. PENSION BENEFITS

The Department of Veterans Affairs (VA) provides needs-based pensions ensuring a minimum level of income and standard of living for eligible wartime veterans and their survivors.⁹⁵⁴ The Veterans Pension and Survivors Pension Benefit programs provide benefits that may be increased through Aid, Attendance, and Housebound Allowances.⁹⁵⁵

5.3.5.1. VETERANS PENSION BENEFIT PROGRAM

The Veterans Pension Benefit Program assists veterans and their families with financial challenges by providing supplemental income.⁹⁵⁶ This program is a tax-free monetary benefit payable to low-income wartime veterans.⁹⁵⁷ Relevant household income and net worth determine the level of monetary benefit.⁹⁵⁸ The VA website identifies these criteria.⁹⁵⁹

5.3.5.2. SURVIVORS PENSION BENEFIT PROGRAM

The Survivors Pension Benefit Program, is a tax-free pension payable to a low-income, unremarried surviving spouse and/or unmarried child(ren) of a deceased veteran with wartime service.⁹⁶⁰

⁹⁵⁴ Veterans' Benefits, 38 U.S.C. §§ 1501-1562.

⁹⁵⁵ Veterans' Benefits, 38 U.S.C. §§ 1521(d), (e), (f); 1541(d), (e).

⁹⁵⁶ "Veterans Pension Program," Department of Veterans Affairs, accessed April 8, 2014, <http://www.benefits.va.gov/pension/#>.

⁹⁵⁷ Veterans' Benefits, 38 U.S.C. § 5301(a)(1).

⁹⁵⁸ Veterans' Benefits, 38 U.S.C. §§ 1521-1522.

⁹⁵⁹ "Veterans Pension Rate Table," Department of Veterans Affairs, accessed March 18, 2014, http://www.benefits.va.gov/PENSION/current_rates_veteran_pen.asp.

⁹⁶⁰ Benefits, 38 U.S.C. §§ 1541-1542.

5.3.5.3. AID, ATTENDANCE, AND HOUSEBOUND ALLOWANCES

Veterans and survivors who have dependents, need the aid and attendance (A&A) of another person, or are housebound, may qualify for additional amounts of pension or may gain eligibility for a pension for which they are otherwise ineligible.⁹⁶¹ Veterans who marry each other may qualify for adjustments to their pension amounts.⁹⁶²

Beneficiaries

In FY 2013, VA provided pension benefits to 308,995 veterans with an average disbursement of \$11,639.⁹⁶³ A total of 206,952 survivors received pension benefits with an average payment of \$7,680.⁹⁶⁴

Veterans Pension Benefit Program

Pension benefits are needs-based and a veteran's countable family income must fall below the annual limit set by law.⁹⁶⁵ To be eligible, veterans must have at least 90 days of active-duty service, including at least one day during a wartime period, and be discharged from service under other-than-dishonorable conditions.⁹⁶⁶ A veteran's length of service must be at least 24 months or for the full period of mobilization (with some exceptions) if the active-duty service occurred after September 7, 1980.⁹⁶⁷ The veteran must also be age 65 or older, or have a permanent and total nonservice connected disability and meet any of the following criteria because of the disability:

- a long-term care patient in a nursing home
- a recipient of Social Security disability benefits
- unemployable for life⁹⁶⁸

The veteran must meet the above service requirements for surviving spouses and children to be eligible for the Survivors Pension.⁹⁶⁹ Once basic eligibility for pension is met, the veteran's entitlement is subject to income and net worth limitations.⁹⁷⁰ Additional amounts may be available to a veteran who has dependents or who, due to disability, is in need of aid and attendance of another person or is housebound.⁹⁷¹ The VA website lists current income and net worth limitations.⁹⁷²

Survivors Pension Benefit Program (for a Surviving Spouse)

A surviving spouse of a wartime veteran has basic eligibility for a death pension if he or she meets the income and net worth limitations.⁹⁷³ Additional amounts may be

⁹⁶¹ Veterans' Benefits, 38 U.S.C. §§ 1521(d), (e), (f); 1541(d), (e).

⁹⁶² Veterans' Benefits, 38 U.S.C. § 1521(f).

⁹⁶³ Department of Veterans Affairs, *FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration*, VBA-4, accessed May 27, 2014, <http://www4.va.gov/budget/products.asp>.

⁹⁶⁴ *Ibid.*

⁹⁶⁵ Veterans' Benefits, 38 U.S.C. § 1521. (Each subsection sets forth the requirements for receiving pensions at the rate prescribed by that subsection. That rate is then reduced by the beneficiary's annual income.)

⁹⁶⁶ Veterans' Benefits, 38 U.S.C. § 1521(j).

⁹⁶⁷ Veterans' Benefits, 38 U.S.C. § 5303A.

⁹⁶⁸ Schedule for Rating Disabilities, 38 CFR 3.3. See also VA Benefits Website, "Veterans Pension" Fact Sheet, accessed April 8, 2014, <http://benefits.va.gov/BENEFITS/factsheets/limitedincome/livepension.pdf>.

⁹⁶⁹ Veterans' Benefits, 38 U.S.C. § 1541(a).

⁹⁷⁰ Veterans' Benefits, 38 U.S.C. § 1522.

⁹⁷¹ Veterans' Benefits, 38 U.S.C. §§ 1521(c)-(f).

⁹⁷² "Veterans Pension Rate Table," Department of Veterans Affairs, accessed March 18, 2014, http://www.benefits.va.gov/PENSION/current_rates_veteran_pen.as.

⁹⁷³ Veterans' Benefits, 38 U.S.C. §§ 1541, 1543.

available to a surviving spouse who has dependents or who, due to disability, is in need of aid and attendance of another person, or is housebound.⁹⁷⁴

Survivors Pension Benefit Program (for a Surviving Child)

In general, a surviving child of a wartime veteran has basic eligibility for a death pension if the following criteria are met: the child is unmarried and younger than 18 years of age; or the child is between the age of 18 and 23 years and attending an accredited school; or prior to reaching 18 years of age, the child became permanently incapable of self-support.⁹⁷⁵ Additional details and definitions are found in 38 U.S.C. § 101.⁹⁷⁶ A child's entitlement is subject to income and net worth limitations.⁹⁷⁷

Aid, Attendance, and Housebound Allowances

Veterans and survivors who need the aid and attendance (A&A) of another person or are housebound may qualify for additional amounts of pension.⁹⁷⁸ Because pension at the A&A and housebound rates is based upon a higher income limit, a claimant ineligible for basic pension due to excessive income may, nevertheless, qualify for pension benefits if he or she establishes entitlement to A&A or is housebound.⁹⁷⁹

Veterans or surviving spouses may qualify for pension at the A&A rate if they meet the following criteria:

- They require the aid of another person to perform activities of daily living, such as bathing, feeding, dressing, toileting, adjusting prosthetic devices, or protecting themselves from the hazards of their daily environment.⁹⁸⁰
- They are bedridden, in that their disability or disabilities require that they remain in bed apart from any prescribed course of convalescence or treatment.⁹⁸¹
- They are a patient in a nursing home due to mental or physical incapacity.⁹⁸²
- They have a corrected visual acuity of 5/200 or less, in both eyes, or concentric contraction of the visual field to five degrees or less.⁹⁸³

Veterans may qualify for pension at the housebound rate if they meet the following criteria:

- they have a single permanent disability evaluated as 100-percent disabling and due to a disability or disabilities, they are permanently and substantially confined to their immediate premises⁹⁸⁴
- or they have a single permanent disability evaluated as 100-percent disabling and another disability or disabilities, independently evaluated as 60-percent or more disabling⁹⁸⁵

⁹⁷⁴ Veterans' Benefits, 38 U.S.C. §§ 1541(c)-(e).

⁹⁷⁵ Veterans' Benefits, 38 U.S.C. §§ 101(4), 1542.

⁹⁷⁶ Veterans' Benefits, 38 U.S.C. § 101.

⁹⁷⁷ Veterans' Benefits, 38 U.S.C. § 1543.

⁹⁷⁸ Veterans' Benefits, 38 U.S.C. §§ 1521(d)-(f); 1541(d)-(e).

⁹⁷⁹ Ibid.

⁹⁸⁰ Schedule for Rating Disabilities, 38 CFR 3.352(a).

⁹⁸¹ Ibid.

⁹⁸² Schedule for Rating Disabilities, 38 CFR 3.351(c)(2).

⁹⁸³ Schedule for Rating Disabilities, 38 CFR 3.351(c)(1).

⁹⁸⁴ Veterans' Benefits, 38 U.S.C. § 1521(e). Schedule for Rating Disabilities, 38 CFR 3.351(d).

⁹⁸⁵ Ibid.

Surviving spouses who have one or more disabilities and are permanently and substantially confined to their immediate premises may qualify for pension at the housebound rate.⁹⁸⁶

Historical Context

In 1636, Plymouth enacted the first colonial law regarding pensions.⁹⁸⁷ In 1789, the Continental Congress passed the first federal pension legislation.⁹⁸⁸ After that, laws established pension benefits that not only included veterans but also dependents affected by the War of 1812.⁹⁸⁹ Benefits were also extended for survivors.⁹⁹⁰ In 1818, the Service Pension Law established that veterans' benefits would be based on need.⁹⁹¹ The General Pension Act of 1862 took this benefit even further by providing disability payments based on degree of disability and rank.⁹⁹² Additionally, this act created more abundant benefits for dependent relatives, children, and widows.⁹⁹³

The current VA pension program, which is a need-based program for members and surviving spouses was established in 1978.⁹⁹⁴ The veteran and survivor pension program supports the following societal values:

- assure a level of income above the minimum subsistence level, allowing wartime veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance;
- provide the greatest pension for those with the greatest need, while preserving incentives to work; and
- guarantee regular increases to pensions that fully account for increases in the cost of living⁹⁹⁵

Financial Summary

In FY 2013, \$5.2 billion was spent on veteran pensions. Of this, veterans received a total of \$3.6 billion and survivors received \$1.6 billion.⁹⁹⁶

5.3.6. TRANSITION SERVICES

5.3.6.1. TRANSITION ASSISTANCE PROGRAM

Transition Assistance services prepare separating uniformed Service members and their families for reentry into the civilian work force.⁹⁹⁷ These benefits are provided by

⁹⁸⁶ Veterans' Benefits, 38 U.S.C. § 1541(e). Schedule for Rating Disabilities, 38 CFR 3.351(f).

⁹⁸⁷ David Pulsifer, ed., *Records of the Colony of New Plymouth in New England* (Boston: William White, 1861), 13.

"VA History in Brief," Department of Veterans Affairs, 3, accessed March 13, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

⁹⁸⁸ Act of September 29, 1789, ch. 24, 1 Stat. 95 (1789).

⁹⁸⁹ See Act of February 14, 1871, ch. 50, 16 Stat. 411 (1871).

⁹⁹⁰ Ibid.

⁹⁹¹ Act of March 18, 1818, ch. 19, 3 Stat. 410 (1818).

⁹⁹² Act of July 14, 1862, ch. 166, 12 Stat. 566 (1862).

⁹⁹³ Ibid.

⁹⁹⁴ Veterans' and Survivors' Pension Improvement Act of 1978, Pub. L. No. 95-588, 92 Stat. 2497 (1978).

⁹⁹⁵ H.R. Rep. No. 95-1225, at 4 (1978), reprinted in 1978 U.S.C.A.N. 5583, 5585.

⁹⁹⁶ Department of Veterans Affairs, *FY 2015 Congressional Budget Submission, Volume III, Benefits and Burial Programs and Departmental Administration*, VBA-4, accessed May 27, 2014, <http://www4.va.gov/budget/products.asp>.

⁹⁹⁷ Military Family Readiness, DoDI 1342.22, 23 (2012).

multiple agencies, and are described in the Cross-Agency Benefits section of this report—Section 5.8.4 Transition Assistance.

5.3.7. VETERAN CANTEEN SERVICES

Multiple agencies provide exchange benefits for uniformed Service members.

The Armed Forces operate multiple exchange systems: Army and Air Force Exchange Service (AAFES) operates exchanges on Army and Air Force installations.⁹⁹⁸ Navy Exchange Service Command (NEXCOM) operates exchanges on Navy bases.⁹⁹⁹ Marine Corps Community Services (MCCS) runs exchanges on Marine Corps installations. MCCS also operates the rest of Marine MWR operations.¹⁰⁰⁰ Similarly, the Coast Guard Exchange Service (CGES), which operates exchanges on Coast Guard installations, is part of the Coast Guard Community Services Command.¹⁰⁰¹ The Department of Veterans Affairs (VA) operates a separate retail system known as the Veteran Canteen Service (VCS).¹⁰⁰²

The Cross-Agency Benefits section of this report describes these benefits in greater detail—Section 5.8.2 Exchanges.

5.4. DEPARTMENT OF EDUCATION PROGRAMS

5.4.1. EDUCATION ASSISTANCE

Education Assistance benefits are provided to uniformed Service members by multiple agencies including DoD, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), the Department of Education (ED), and the Department of Justice (DOJ).

ED programs include:

- In-State Tuition for members of the Military Services on active duty and dependents
- Cancellation of Federal Student Loan
- Public Service Loan Forgiveness Program
- Military Service Loan Deferment
- Loan Deferments After Active Duty
- Iraq and Afghanistan Service grant or Additional Federal Pell Grant Funds

These benefits are described in the Cross-Agency Benefits section of this report—Section 5.8.1 Education Assistance.

⁹⁹⁸ Army and Air Force Exchange Service Operations, AR 215-8 and AFI 34-211(I) (2012).

⁹⁹⁹ OPNAVINST 5450.331A, Responsibility and Authority for Navy Exchange Operations, ¶ 5(a), May 6, 2008.

¹⁰⁰⁰ MCCS Policy Manual, MCO P1700.27B, ¶ 1001 (2007).

¹⁰⁰¹ See Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, Chapter 1, ¶ L (2010).

¹⁰⁰² See generally Veterans' Benefits, 38 U.S.C. §§ 7801-7810.

5.4.2. FEDERAL IMPACT AID

The Congress authorizes financial assistance to local school districts through the Department of Education (ED) under the Federal Impact Aid Program.¹⁰⁰³ Impact Aid assists local school districts that have lost property-tax revenue due to the presence of tax-exempt Federal property or that have experienced increased expenditures due to the enrollment of federally-connected children.¹⁰⁰⁴

Impact Aid authorizes assistance to:

- local school districts with concentrations of eligible children residing on
 - Indian lands
 - military installations
 - low-rent housing properties
 - other Federal properties
- and, to a lesser extent, concentrations of children who
 - have parents in the Armed Forces, or
 - are employed on eligible Federal properties, but do not live on Federal property¹⁰⁰⁵

School districts use Impact Aid for a wide variety of expenses, including salaries for teachers and teacher aides, textbooks, computers, and other equipment, after-school programs and remedial tutoring, Advanced Placement classes, special enrichment programs, and capital expenses.¹⁰⁰⁶

There are five categories of Impact Aid. The categories include the following:

- Payments for Federal Property. School districts receive payments when they experience a substantial and continuing financial burden due to the acquisition of real property by the United States.¹⁰⁰⁷ These payments assist local school districts that have lost a portion of their local tax base because of Federal ownership of property.¹⁰⁰⁸ To be eligible, a school district must demonstrate that the Federal Government has acquired, since 1938, real property with an assessed valuation of at least 10 percent of all real property in the district at the time of acquisition.¹⁰⁰⁹
- Basic Support Payments. School districts can receive payments when they educate children who reside on Federal property.¹⁰¹⁰ These may be the children of members of the Armed Forces, children who reside on Indian lands, children who reside on Federal property or in federally-subsidized, low-rent housing, and children whose parents work on Federal property.¹⁰¹¹ In general, to be eligible for assistance, a local school district must educate at least 400 such children in

¹⁰⁰³ Education, 20 U.S.C. §§ 7701-7714.

¹⁰⁰⁴ Education, 20 U.S.C. § 7701.

¹⁰⁰⁵ Education, 20 U.S.C. § 7701-7714.

¹⁰⁰⁶ About Impact Aid, Department of Education, accessed April 28, 2014, <http://www2.ed.gov/about/offices/list/oese/impactaid/whatisia.html#b>.

¹⁰⁰⁷ Education, 20 U.S.C. § 7701(1).

¹⁰⁰⁸ Education, 20 U.S.C. § 7701(5).

¹⁰⁰⁹ Education, 20 U.S.C. § 7702(a).

¹⁰¹⁰ Education, 20 U.S.C. § 7703.

¹⁰¹¹ Education, 20 U.S.C. § 7703(a)(1).

average daily attendance or the federally-connected children must make up at least three percent of the school district's total average daily attendance.¹⁰¹²

- Heavily Impacted Districts. “Heavily Impacted Districts” that enroll certain percentages of federally-connected children and meet other specific statutory criteria, receive increased formula payments.¹⁰¹³
- Disability Payments. School districts receive payments for the additional costs that federally-affiliated (or Indian land) students with special needs impose on the district.¹⁰¹⁴ Any military-affiliated (or Indian land) child eligible to receive Individuals with Disabilities Education (IDEA) funds and an individual education plan is eligible.¹⁰¹⁵ These payments are in addition to Basic Support Payments and IDEA Act funds that are provided on behalf of these children.¹⁰¹⁶ Payments for children with disabilities must be used to cover the extra costs of educating these children.¹⁰¹⁷
- Construction. School districts receive payments when they need special assistance with capital expenditures for construction activities because of the enrollments of substantial numbers of children who reside on Federal land.¹⁰¹⁸ Construction grants go to local school districts that educate high percentages of certain federally-connected children, both children living on Indian lands and children of members of the Armed Forces.¹⁰¹⁹ These grants help pay for the construction and repair of school buildings.¹⁰²⁰ Formula grants are available to the local school districts based on the number of eligible federally-connected children they educate.¹⁰²¹ Competitive grants are also available for emergency repairs and modernization.¹⁰²²

Local Education Agencies (LEAs) provide parents with a survey in which the Federal status of parents is documented to determine the total number of federally-connected students in each LEA.¹⁰²³ The U.S. Department of Education uses this anonymous information to determine if the LEA meets the minimum requirements for receiving Impact Aid funding.¹⁰²⁴ The enrollment of federally-connected children in the LEA must be at least three percent of the enrollment or 400 as computed in average daily attendance.¹⁰²⁵ Thus, not all LEAs educating federally-connected children are eligible to receive Impact Aid.¹⁰²⁶

For the purposes of this program, “Federal property” includes not only military bases and similar Federal installations, but also Indian Reservation (Trust) and/or “Treaty” lands, Alaskan village lands, land used for federally-subsidized low-rent housing

¹⁰¹² Education, 20 U.S.C. § 7703(b)(1)(B).

¹⁰¹³ Education, 20 U.S.C. § 7703(b)(2).

¹⁰¹⁴ Education, 20 U.S.C. § 7703(d)(1).

¹⁰¹⁵ Ibid.

¹⁰¹⁶ Ibid.

¹⁰¹⁷ Education, 20 U.S.C. § 7703(d)(2).

¹⁰¹⁸ Education, 20 U.S.C. § 7701(5).

¹⁰¹⁹ Education, 20 U.S.C. § 7707(a)(2).

¹⁰²⁰ Education, 20 U.S.C. § 7707(a)(4). Education, 20 U.S.C. § 7713(3).

¹⁰²¹ Education, 20 U.S.C. § 7707(a)(3).

¹⁰²² Education, 20 U.S.C. § 7707(b).

¹⁰²³ Education, 34 CFR 222.35.

¹⁰²⁴ Ibid.

¹⁰²⁵ Education, 34 CFR 222.36(a)(1).

¹⁰²⁶ Education, 34 CFR 222.36.

projects (not including the Section 8 housing programs administered by Department of Housing and Urban Development (HUD), and land used to provide housing for homeless children at a closed military base as long as the land remains under Federal ownership.¹⁰²⁷

Beneficiaries

LEAs are the beneficiaries of the Federal Impact Aid payments.¹⁰²⁸ With the exception of additional payments for children with disabilities and construction payments, school districts may use the funds in whatever manner they choose in accordance with their local and State requirements.¹⁰²⁹

Historical Context

The Impact Aid program was first created through Pub. L. No. 81-815 and Pub. L. No. 81-874.¹⁰³⁰ President Harry S. Truman signed legislation that formed the bedrock of Federal education programs in 1950.¹⁰³¹ This program supports local school districts with large numbers of children who live on military bases, Indian lands, low-rent housing properties, and other Federal properties, or those children with parents in the uniformed services or those employed on eligible Federal properties.¹⁰³²

Financial Summary

The maximum amount of Impact Aid funds issued is the sum of the weighted student units multiplied by the greater of the following:

- one-half of the average per-pupil State expenditure in which the educational agency is located for the third fiscal year preceding the fiscal year when the determination was made
- one-half of the average per-pupil expenditure of all of the States for the third fiscal year preceding the fiscal year for which the determination was made
- the local contribution rate as identified by 34 CFR 222.40
- the average per-pupil State expenditure where the local educational agency is located, multiplied by the local contribution percentage¹⁰³³

In FY 2013, Basic Support Payments (Section 8003(b)) were \$1.1 billion, which included payments for Heavily Impacted Districts (Section 8003(b)(2)).¹⁰³⁴ That same fiscal year there was \$46 million in payments for Disability Payments (8003(b)) and \$63 million in Payments for Federal Property (Section 8002).¹⁰³⁵ There was \$16.5 million in Construction Payments (Section 8007) for which a discretionary competition took place for grant funding.¹⁰³⁶ This financial information represents the

¹⁰²⁷ Education, 20 U.S.C. § 7713(5).

¹⁰²⁸ Education, 20 U.S.C. § 7701.

¹⁰²⁹ "About Impact Aid," Department of Education, accessed April 28, 2014, <http://www2.ed.gov/about/offices/list/oese/impactaid/whatisia.html#b>.

¹⁰³⁰ Act of September 23, 1950, Pub. L. No. 81-815, 64 Stat. 967 (1950). Act of September 30, 1950, Pub. L. No. 81-874, 64 Stat. 1100 (1950).

¹⁰³¹ Ibid.

¹⁰³² Department of Education, Office of Elementary and Secondary Education, "About Impact Aid," accessed June 13, 2014, <http://www2.ed.gov/about/offices/list/oese/impactaid/whatisia.html>.

¹⁰³³ Education, 20 U.S.C. § 7703(b)(1)(C).

¹⁰³⁴ Department of Education, "Distribution of Impact Aid Funds," briefing to MCRMC, May 1, 2014.

¹⁰³⁵ Ibid.

¹⁰³⁶ Ibid.

full amount of Impact Aid for Federally connected children, including those on Indian lands.¹⁰³⁷

The Congress put the Learning Opportunity Threshold (LOT) formula in place to ensure fair distribution of available funds.¹⁰³⁸ The Department of Education uses a complex formula provided by law to determine distribution of the appropriated funds.¹⁰³⁹ They consider the local contribution rate as well as the district's expenditures in this calculation.¹⁰⁴⁰ For FY 2013, funding was such that the department could only distribute 80 percent of the amount authorized by LOT for all eligible categories.¹⁰⁴¹

The U.S. Department of Education provides the data that is used to determine LEA eligibility for the Supplemental Impact Aid Program to the Educational Partnership Branch of Department of Defense Education Activity (DoDEA), which works with the U.S. Department of Education to clarify or resolve any funding eligibility issues.¹⁰⁴²

5.5. DEPARTMENT OF LABOR PROGRAMS

5.5.1. VETERANS' EMPLOYMENT AND TRAINING SERVICE

The Veterans' Employment and Training Service (VETS) assists veterans and separating Service members in preparing for careers, connecting with potential employers, and protecting their employment rights.¹⁰⁴³

5.5.1.1. EMPLOYMENT SERVICES FOR VETERANS – STATE GRANTS

Employment Services for Veterans take place in One-Stop Career Centers, which are part of State Workforce Agencies/Employment Commissions. The funding for these services comes from a number of grants to the States under the Wagner-Peyser Act (WPA),¹⁰⁴⁴ the Workforce Investment Act (WIA),¹⁰⁴⁵ and the Jobs for Veterans State Grants (JVSG) program. WPA and WIA programs and funding benefit all job seekers, but the regulations stipulate that veterans (and eligible spouses) shall receive priority service.¹⁰⁴⁶ "The JVSG program functions mainly as a staffing grant,"¹⁰⁴⁷ providing salaries and benefits for state merit employees who provide specialized services to veterans with significant barriers to employment, and in limited circumstances,

¹⁰³⁷ Ibid.

¹⁰³⁸ Education, 20 U.S.C. § 7703(b)(3)(B).

¹⁰³⁹ Education, 20 U.S.C. § 7703(b)(3).

¹⁰⁴⁰ Ibid.

¹⁰⁴¹ Department of Education, "Distribution of Impact Aid Funds," briefing to MCRMC, May 1, 2014.

¹⁰⁴² "Impact Aid Supplemental Program," Department of Education, accessed June 1, 2014, <http://www.militaryk12partners.dodea.edu/impact.cfm?collid=supplement>.

¹⁰⁴³ "VETS Vision and Mission Statement," Department of Labor VETS, accessed April 17, 2014, <http://www.dol.gov/vets/aboutvets/mission/mission.htm>.

¹⁰⁴⁴ Wagner-Peyser Act, Pub. L. No. 30-73d, 48 Stat. 113 (1933) (codified at 29 U.S.C. § 49).

¹⁰⁴⁵ Armed Forces, 10 U.S.C. §§ 1143, 1144. See also Education, 20 U.S.C. § 9201. Labor, 29 U.S.C. § 2913.

¹⁰⁴⁶ Veterans' Benefits, 38 U.S.C. Chapters 41 and 42 and implemented in Employees' Benefits, 20 CFR parts 601, 651, 652, 653, 658, and 1001. The grants are based on funding formulas provided at Education, 20 CFR 1001. Public Contracts and Property Management, 41 CFR 60-300 covers the affirmative action nondiscrimination obligations of contractors toward protected veterans.

¹⁰⁴⁷ Education, 20 CFR 1001.

transitioning Service members who were wounded and injured.”¹⁰⁴⁸ The JVSG program funds two distinct positions, the Disabled Veterans’ Outreach Program (DVOP) specialist¹⁰⁴⁹ and the Local Veterans’ Employment Representative (LVER).¹⁰⁵⁰ Services such as job search assistance workshops, career counseling, résumé assistance, and job referrals are provided as a priority to all veterans and eligible spouses.¹⁰⁵¹ In addition to these core support services, DVOP specialists develop expertise in the services that are specifically relevant to disabled veterans¹⁰⁵² and LVERs directly contact businesses, Federal agencies, and associations of contractors and employers to encourage the hiring and advancement of qualified veterans.¹⁰⁵³

In FY 2013, DOL reported approximately \$161.3 million in grants, funding 1,922 state-level employees (full-time equivalents), at an average cost of approximately \$84,000 per employee, who assisted 450,843 job-seeking veterans.¹⁰⁵⁴ These employees provided an additional level of support known as intensive services to 39.2 percent of those veterans.¹⁰⁵⁵

5.5.1.2. TRANSITION ASSISTANCE PROGRAM

Transition Assistance services prepare separating uniformed Service members and their families for reentry into the civilian work force.¹⁰⁵⁶ These benefits are provided by multiple agencies, and are described in the Cross-Agency Benefits section of this report—Section 5.8.4 Transition Assistance.

5.5.1.3. HOMELESS VETERANS’ REINTEGRATION PROJECT

The Homeless Veterans’ Reintegration Program (HVRP) is exclusively committed to providing employment assistance to the homeless veteran population.¹⁰⁵⁷ The HVRP mission is to help homeless veterans reintegrate themselves into the workforce by providing employment-focused services, such as job development, résumé preparation, and career counseling, but it does not focus solely on finding employment. HVRP is also designed to provide supportive services such as clothing, transportation assistance, referrals to temporary and permanent housing, and referrals to medical and substance-abuse treatments, all in an effort to help homeless veterans reintegrate into society. Formerly homeless veterans are typically available to help provide outreach in areas of peer coaching and counseling.¹⁰⁵⁸

¹⁰⁴⁸ Department of Labor, “FY 2014 Congressional Budget Justification, Veteran’s Employment and Training Service, accessed June 1, 2014, VETS-21, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

¹⁰⁴⁹ Veterans’ Benefits, 38 U.S.C. § 2003A, 20 CFR 1001.

¹⁰⁵⁰ Veterans’ Benefits, 38 U.S.C. § 4104, 20 CFR 1001.

¹⁰⁵¹ Veterans’ Benefits, 38 U.S.C. § 4215.

¹⁰⁵² Education, 20 CFR 1001. Education, 20 CFR 1001, 1001.123.

¹⁰⁵³ Department of Labor, *Employment Services for Veterans Brochure*, accessed February 25, 2014, <http://www.dol.gov/vets/Education%20and%20Outreach/Program%20Brochures/Production%20PDFs/EMPLOYMENT%20NEW%20TEXT%20WEB.pdf>.

¹⁰⁵⁴ Department of Labor, *FY 2014 Congressional Budget Justification, Veteran’s Employment and Training Service*, accessed June 1, 2014, VETS-20, VETS-22, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

¹⁰⁵⁵ *Ibid*, VETS-20.

¹⁰⁵⁶ Military Family Readiness, DoDI 1342.22, 23 (2012).

¹⁰⁵⁷ Veterans’ Benefits, 38 U.S.C. §§ 2021-2023. *See also* Veterans’ Benefits, 38 CFR 63.

¹⁰⁵⁸ Department of Labor, *Homeless Veterans’ Reintegration Program Fact Sheet 4*, accessed February 24, 2014, http://www.dol.gov/vets/programs/hvrp/homeless_veterans_fs.htm.

In FY 2013, \$36 million was provided for 35 new HVRP grants, 90 option year HVRP grant extensions, 22 Homeless Female Veterans and Veterans with Families grants, and 90 Stand Down grants.¹⁰⁵⁹ In FY 2013, DOL reported that HRVP provided services to 17,480 veteran participants, placing 64.8 percent into employment, at an average cost of \$3,000 per placement.¹⁰⁶⁰

HVRP was originally authorized in July 1987, under Section 38 of the Stewart B. McKinney Homeless Assistance Act¹⁰⁶¹ and followed by the Homeless Veterans Assistance Act of 2001.¹⁰⁶² Today, the program is authorized under 38 U.S.C. § 2021. Grants can be provided to State and Local Workforce Investment Boards, State and State Agencies, local public agencies, private nonprofit organizations (including faith-based and community organizations) and for-profit/commercial entities. Some grants are specifically focused on supporting Homeless Female Veterans and Homeless Veterans with Families (HFVWVF).¹⁰⁶³

5.5.1.4. VETERANS WORKFORCE INVESTMENT PROGRAM

The Veterans Workforce Investments Program (VWIP) provides competitive grants to support lifelong learning and skills development programs designed to improve overall competitiveness in the workforce for currently eligible veterans and targeted veteran subgroups with severe employability barriers.¹⁰⁶⁴ The FY 2012 cost of VWIP was approximately \$14.6 million, which funded all continuation grants and 12 new grantees.¹⁰⁶⁵

Because of the relatively small number of veterans served, and the increasing costs of the VWIP program, the DOL determined funding would be more efficiently utilized by redirecting it to programs with stronger accountability measures, as well as the implementation of veteran training activities mandated in the VOW to Hire Heroes Act (Pub. L. No. 112-56). Grants provided with FY 2012 funding were limited to a period of performance of three years to support this transition with the period of performance ending in FY 2014. There was no request for VWIP funding in FY 2014.¹⁰⁶⁶

5.5.1.5. NATIONAL VETERANS' TRAINING INSTITUTE

The National Veterans' Training Institute (NVTI) was established by the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET) in 1986 to provide specialized training and professional skills enhancement of State Employment Agency and other staff who specialize in providing services to veterans.¹⁰⁶⁷ This

¹⁰⁵⁹ Department of Labor, FY 2014 Congressional Budget Justification, Veteran's Employment and Training Service, accessed June 1, 2014, VETS-37, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

¹⁰⁶⁰ Ibid.

¹⁰⁶¹ Stewart B. McKinney Homeless Assistance Act, Pub. L. No. 100-77, 101 Stat. 482 (1987) (now codified at 38 U.S.C. § 2021).

¹⁰⁶² Homeless Veterans Comprehensive Assistance Act of 2001, Pub. L. No. 107-95, 115 Stat. 103 (2001).

¹⁰⁶³ Veterans' Benefits, 38 U.S.C. § 2021 A. See also Department of Labor, FY 2015 Congressional Budget Justification, Veteran's Employment and Training Service, VETS-38, May 21, 2014, <http://www.dol.gov/dol/budget/2015/PDF/CBJ-2015-V3-05.pdf>.

¹⁰⁶⁴ Veterans' Workforce Investment Programs, 29 U.S.C. § 2913.

¹⁰⁶⁵ Department of Labor, FY 2014, Congressional Budget Justification, Veteran's Employment and Training Service, VETS-47 and VETS-48, accessed April 18, 2014, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

¹⁰⁶⁶ Ibid.

¹⁰⁶⁷ Veterans' Benefits, 38 U.S.C. § 4109.

training is designed to benefit veterans through improved levels of support from the people providing veteran services.

In FY 2013, \$3.3 million was spent to provide training for 3,974 DVOP specialists, LVER staff, other state staff, VETS federal staff, and other federal staff members.¹⁰⁶⁸

5.5.1.6. FEDERAL ADMINISTRATION – UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT ENFORCEMENT

The Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. §§ 4301-4335 (USERRA), as amended, prohibits discrimination in employment based on an individual's prior service in the uniformed services, an individual's current service in the uniformed services, or intent to join the uniformed services.¹⁰⁶⁹

There are three levels of Federal assistance available to individuals who believe that their USERRA rights may have been violated. Employer Support of the Guard and Reserve (ESGR) Ombudsmen services are the most informal level at which resolution can be sought. If the issue cannot be resolved by the ESGR Ombudsman, or if the individual prefers to bypass informal resolution, VETS formally investigates complaints received and attempts to resolve those complaints. If following the VETS' investigation and attempts at resolution the claimant is not fully satisfied with the outcome, VETS informs the individual of his or her right to have the case referred for consideration of legal representation at no cost to the claimant. Referrals are made to the Department of Justice (DOJ) in cases involving a private, local government, or State employer, or to the Office of Special Counsel (OSC) in cases involving a Federal employer.¹⁰⁷⁰

USERRA enforcement and VETS agency administration cost \$36.3 million for FY 2013. This total included the investigation of an estimated 1,144 USERRA claims, as well as 509 Veterans' Preference complaints, and 138 USERRA complaints.¹⁰⁷¹ The administrative costs included oversight and management of all previously cited VETS programs and grants, as well as the following:

- participation in committees and boards supporting civilian certifications or licenses for veterans
- provision of small Stand Down grants (\$7,000 to \$10,000) for veteran employment events¹⁰⁷²
- coordination with the VA (Department of Veterans Affairs' Office of Vocational Rehabilitation and Employment) as part of the Vocational Rehabilitation and

¹⁰⁶⁸ Department of Labor, *FY 2015, Congressional Budget Justification, Veteran's Employment and Training Service*, VETS-46, accessed May 21, 2014, <http://www.dol.gov/dol/budget/2015/PDF/CBJ-2015-V3-05.pdf>.

¹⁰⁶⁹ Veterans' Benefits, 38 U.S.C. §§ 4301-4335. See also DOL, *USERRA FY 2012, Annual Report to Congress*, December 2013, <http://www.dol.gov/vets/programs/userra/2012USERRAReport.pdf>.

¹⁰⁷⁰ Veterans' Benefits, 38 U.S.C. §§ 4301-4335. See also 20 CFR 1002. Department of Labor, *USERRA FY 2012, Annual Report to Congress, December 2013*, 1, accessed June 1, 2014, <http://www.dol.gov/vets/programs/userra/2012USERRAReport.pdf>.

¹⁰⁷¹ Department of Labor, *FY 2015 Congressional Budget Justification, Veteran's Employment and Training Service*, VETS-52, VETS-53, VETS-54, accessed May 21, 2014, <http://www.dol.gov/dol/budget/2015/PDF/CBJ-2015-V3-05.pdf>.

¹⁰⁷² 76 Fed. Reg. 13236 (March 10, 2011).

Employment Initiative to improve the way vocational rehabilitation services are provided to disabled veterans (“Chapter 31” recipients)¹⁰⁷³

- administration of the Federal Contractor Program¹⁰⁷⁴ requiring Federal contractors/subcontractors with a contract of \$100,000 or more to take affirmative action to hire and promote qualified covered veterans¹⁰⁷⁵

Beneficiaries

Employment Services for Veterans – State Grants

Veterans of the uniformed services and transitioning Service members are eligible for veteran employment services.¹⁰⁷⁶ Spouses of veterans who have total service-connected disabilities or who died as a result of service-connected disabilities are also eligible.¹⁰⁷⁷ Although nonveterans may receive similar support, the eligible individuals previously mentioned are given priority of service; therefore, they receive access to a particular program or service either before or instead of those who are not eligible for priority of service.¹⁰⁷⁸

Transition Assistance Program

The Transition Assistance Program (TAP) meets the needs of separating Service members when they are transitioning into civilian life by offering job-search assistance and related services.¹⁰⁷⁹ This program assists Service members in making the initial transition from military service to the civilian workplace with less difficulty.¹⁰⁸⁰ The VOW to Hire Heroes Act of 2011 enlarged this transition assistance opportunity by changing the definition of veteran. This new definition allows for Service members serving on active military duty to be treated as veterans, disabled veterans, and preference eligible when they apply for Federal service.¹⁰⁸¹

Homeless Veterans’ Reintegration Project

All homeless veterans are eligible for Homeless Veterans’ Reintegration Project (HVRP) services.¹⁰⁸²

Veterans Workforce Investment Program

All veterans of the uniformed services are eligible for the support provided through Veterans Workforce Investment Program (VMIP) grants. The grants are not made directly to veterans, but rather to organizations serving veterans.¹⁰⁸³

¹⁰⁷³ Vocational Rehabilitation and Employment Fact Sheet, <http://www.dol.gov/vets/programs/vre/vre.pdf>, April 18, 2014.

¹⁰⁷⁴ Veterans’ Benefits, 38 U.S.C. § 4212. *See also* Public Contracts and Property Management, 41 CFR 60-250, 60-300.

¹⁰⁷⁵ Veterans’ Benefits, 38 U.S.C. § 4212.

¹⁰⁷⁶ Veterans’ Benefits, 38 U.S.C. §§ 4213, 4215.

¹⁰⁷⁷ *Ibid.* *See also* Education, 20 CFR 1001.101, 1001.162.

¹⁰⁷⁸ Veterans’ Benefits, 38 U.S.C. § 4215(a). *See also* “Homeless Veterans’ Reintegration Program,” Department of Labor, accessed March 20, 2014, http://www.dol.gov/vets/programs/fact/Homeless_veterans_fs04.htm. *See also* Department of Labor, “Employment for Service Veterans,” accessed March 20, 2014, <http://www.dol.gov/vets/Education%20and%20Outreach/Program%20Brochures/EMPLOYMENT%20NEW%20TEXT.pdf>.

¹⁰⁷⁹ Veterans’ Benefits, 38 U.S.C. §§ 4100–4114. *See also* Armed Forces, 10 U.S.C. Chapter 58.

¹⁰⁸⁰ “VETS Fact Sheet 1: Transition Assistance,” Department of Labor, accessed April 18, 2014, http://www.dol.gov/vets/programs/tap/tap_fs.htm.

¹⁰⁸¹ Veterans’ Benefits, 38 U.S.C. § 4100.

¹⁰⁸² Veterans’ Benefits, 38 U.S.C. §§ 2021–2023. Schedule for Rating Disabilities, 38 CFR 63.

¹⁰⁸³ Labor, 29 U.S.C. § 2913. *See also* Employees’ Benefits, 20 CFR 662.200. Department of Labor, *FY 2014 Congressional Budget Justification, Veteran’s Employment and Training Service*, accessed April 18, 2014, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

National Veterans' Training Institute

This training is available to Local Veterans' Employment Representatives and Disabled Veterans' Outreach Program specialists, many of whom (approximately 70 percent) are veterans of the uniformed services.¹⁰⁸⁴

Federal Administration – Uniformed Service Employment and Reemployment Rights Act Enforcement

To be protected under the Uniformed Service Employment and Reemployment Rights Act (USERRA), one must have served or be currently serving in the uniformed services, with enhanced protection given to disabled veterans. This includes job rights for Reserve Component members.¹⁰⁸⁵

Historical Context

It was not until the end of the Civil War that the Congress formalized hiring preferences for veterans. In 1865, the Congress passed a law stating that, "Persons honorably discharged from the military or naval service by reason of disability resulting from wounds or sickness incurred in the line of duty shall be preferred for appointments to civil offices, provided they are found to possess the business capacity necessary for the proper discharge of the duties of such offices."¹⁰⁸⁶ The Deficiency Act of 1919 granted preference to all honorably discharged veterans (regardless of the existence of a service-connected disability), their widows, and the wives of injured veterans.¹⁰⁸⁷ "That hereafter in making appointments to clerical and other positions in the executive branch of the Government, in the District of Columbia or elsewhere preference shall be given to honorably discharged soldiers, sailors, and Marines, and widows of such, and to the wives of injured soldiers, sailors, and Marines, who themselves are not qualified, but whose wives are qualified to hold such positions."¹⁰⁸⁸ Veterans' preference in its present form comes from the Veterans' Preference Act of 1944,¹⁰⁸⁹ as amended, and is now codified in various provisions of the United States Code.¹⁰⁹⁰ By law, veterans who are disabled or who served on active duty in the Armed Forces during certain specified time periods or in military campaigns are entitled to preference over others in hiring from competitive lists of eligibles and also in retention during reductions in force. In addition to receiving preference in competitive appointments, veterans may be considered for special noncompetitive appointments for which only they are eligible.¹⁰⁹¹

The National Defense Act of 2006 enlarged hiring preference for veterans by including those who served on active duty for more than 180 consecutive days in the time period between September 11, 2001, and the final date of Operation IRAQI FREEDOM, and

¹⁰⁸⁴ Veterans' Benefits, 38 U.S.C. § 4109. *See also* "Training: Applying," National Veterans' Training Institute, accessed March 20, 2014, <http://www.nvti.ucdenver.edu/home/home.htm>.

¹⁰⁸⁵ Veterans' Benefits, 38 U.S.C. § 4303. *See also* Department of Labor, *Uniformed Services Employment and Reemployment Rights Act (USERRA)*, accessed February 25, 2014, <http://www.dol.gov/vets/Education%20and%20Outreach/Program%20Brochures/Production%20PDFs/USERRA%20WEB.pdf>.

¹⁰⁸⁶ *Eleventh Report of the United States Civil Service Commission, July 1, 1893 to June 30, 1894* (Washington, DC: Government Printing Office, 1894), 95.

¹⁰⁸⁷ Third Deficiency Appropriation Act, FY 1919, ch. 6, 41 Stat. 35 (1919).

¹⁰⁸⁸ *Ibid.*

¹⁰⁸⁹ Veterans Preference Act of 1944, Pub. L. No. 78-359, 58 Stat. 387 (1944).

¹⁰⁹⁰ Government Organization and Employees, 5 U.S.C. § 2108a. Veterans' Benefits, 38 U.S.C. § 4212. Veterans' Benefits, 38 U.S.C. § 4214.

¹⁰⁹¹ "Veterans Services," Office of Personnel Management, accessed May 1, 2014, <http://www.opm.gov/policy-data-oversight/veterans-services/vet-guide/>. *See also* Government Organization and Employees, 5 U.S.C. §§ 2108, 2108(a). *See also* Veterans' Benefits, 38 U.S.C. §§ 4211, 4214.

were discharged from active military duty under honorable conditions.¹⁰⁹² The law further expanded the definition of veteran in 2011 to include Service members on active military duty.¹⁰⁹³

An Assistant Secretary position was created in 1980 to replace the Deputy Assistant Secretary for Veterans' Employment.¹⁰⁹⁴ The Office of the Assistant Secretary for Veterans' Employment and Training (OASVET) was established in 1981.¹⁰⁹⁵ The intent of the Congress was to establish leadership at DOL for services to veterans at the policy-making level, and thereby ensure (1) job and job-training counseling service programs, (2) employment placement service programs, and (3) job-training placement service programs for eligible veterans.¹⁰⁹⁶

Financial Summary

In FY 2013, VETS was appropriated approximately \$251 million, which included approximately \$161 million in State Grants, \$14 million for the Transition Assistance Program, \$36 million for the Homeless Veterans' Reintegration Program, \$3 million for the National Veterans' Employment and Training Service Institute, and \$36 million in Federal Administration and USERRA Enforcement.¹⁰⁹⁷

5.6. SMALL BUSINESS ADMINISTRATION PROGRAMS

5.6.1. OFFICE OF VETERANS BUSINESS DEVELOPMENT

The Small Business Administration (SBA) was established in 1953 to aid, counsel, assist, and protect the interests of small business concerns and to preserve free competitive enterprise to maintain and strengthen the overall economy of the nation.¹⁰⁹⁸ The Office of Veterans Business Development (OVBD) within the SBA provides assistance to small business concerns owned and controlled by veterans and service-disabled veterans.¹⁰⁹⁹ Approximately 2.4 million veteran-majority-owned firms in the United States generate more than \$1.2 trillion in receipts and employ approximately 5.8 million people.¹¹⁰⁰

¹⁰⁹² National Defense Authorization Act for FY 2006, Pub. L. No. 109-163, § 1111, 119 Stat. 3136, 3451 (2006).

¹⁰⁹³ Government Organization and Employees, 5 U.S.C. § 2108a.

¹⁰⁹⁴ Veterans' Rehabilitation and Education Amendments of 1980, Pub. L. No. 96-466, 94 Stat. 2171 (1980).

¹⁰⁹⁵ Secretary's Order No. 5-81 (1981).

¹⁰⁹⁶ "VETS History," Department of Labor, accessed March 20, 2014, <http://www.dol.gov/vets/aboutvets/history/history.htm>.

¹⁰⁹⁷ Department of Labor, *FY 2015, Congressional Budget Justification, Veteran's Employment and Training Service*, VETS-11, VETS-22, VETS-27, VETS-39, VETS-46, and VETS-51, accessed May 21, 2014, <http://www.dol.gov/dol/budget/2015/PDF/CBJ-2015-V3-05.pdf>.

¹⁰⁹⁸ Small Business Act of 1953, Pub. L. No. 83-163, 67 Stat. 232 (1953) (as codified in 15 U.S.C. §§ 631 [*et seq.*]).

¹⁰⁹⁹ Commerce and Trade, 15 U.S.C. § 657b.

¹¹⁰⁰ Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 80, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

5.6.1.1. BOOTS TO BUSINESS (TRANSITION ASSISTANCE PROGRAM)¹¹⁰¹

Transition Assistance services prepare separating uniformed Service members and their families for reentry into the civilian work force.¹¹⁰² These benefits are provided by multiple agencies, and are described in the Cross-Agency Benefits section of this report—Section 5.8.4 Transition Assistance.

5.6.1.2. ENTREPRENEURSHIP BOOT CAMP FOR VETERANS WITH DISABILITIES PROGRAM

SBA partnered with various colleges and universities to create entrepreneurship training that offers a one-year “boot camp” for service-disabled veterans of the wars in Iraq and Afghanistan who want to start or grow small businesses, called the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV) program.¹¹⁰³ They trained more than 240 service-disabled veterans in FY 2013.¹¹⁰⁴ SBA indicated that in FY 2014 it will expand the EBV program, increasing both the number of course offerings and the number of participating business schools in the consortium, and include three offerings for all veterans, including those who are not disabled.¹¹⁰⁵

5.6.1.3. WOMEN VETERANS IGNITING THE SPIRIT OF ENTREPRENEURSHIP PROGRAM

The Women Veterans Igniting the Spirit of Entrepreneurship (VWISE) is a training program in entrepreneurship and small business management for female veterans that provides them with the opportunity to learn the business skills necessary to create a successful business venture. VWISE is open to all female veterans, active-duty female Service members, and female partners/spouses of active-duty Service members and veterans.¹¹⁰⁶ Since the program’s inception, 56 percent of VWISE graduates have started their own businesses.¹¹⁰⁷

5.6.1.4. YELLOW RIBBON REINTEGRATION PROGRAM

In 2008, the Congress directed the Secretary of Defense to create a program focused on reintegration of National Guard and Reserve combat veterans that would provide

¹¹⁰¹ Armed Forces, 10 U.S.C. Chapter 58, authorizes the comprehensive transition assistance benefits and services for separating Service members and spouses.

¹¹⁰² Military Family Readiness, DoDI 1342.22, 23 (2012).

¹¹⁰³ See generally Commerce and Trade, 15 U.S.C. § 637(b)(17) (provides authority generally to enter into agreements with academic institutions for the establishment and outreach programs for disabled veterans).

¹¹⁰⁴ Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 81, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

¹¹⁰⁵ Small Business Administration, *FY 2014 Congressional Budget Justification and FY 2012 Annual Performance Report*, 66, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2014-congressional-budget-justification-and-fiscal-year-2012-annual-performance->.

¹¹⁰⁶ See generally 15 U.S.C. §§ 631(h), 637(b)(17), and 656.

¹¹⁰⁷ Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 82, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

these veterans with a variety of services needed throughout the deployment cycle.¹¹⁰⁸ Entrepreneurship is one of the modules offered through the Yellow Ribbon Reintegration Program (YRRP) designed to acquaint Reserve Component and National Guardsmen and their families with the career opportunities that entrepreneurship and small business ownership offer. SBA's involvement in YRRP includes providing a brief presentation on the business/technical assistance programs and services the agency offers and distributing information on the full range of programs and services the agency offers Reserve Component members and National Guardsmen.¹¹⁰⁹

Beneficiaries

Those eligible for SBA benefits include veterans, service-disabled veterans, Reserve and National Guard members, and discharging active-duty Service members and their families.¹¹¹⁰

Historical Context

The SBA OVBD was created in 1999.¹¹¹¹ Congressional findings leading to its creation highlighted the vital role veterans fill in small businesses as well as the risks they take fighting to protect the American dream of freedom and prosperity.¹¹¹² In their findings the Congress also highlighted how medical advances and new medical technologies allow service-disabled veterans to more actively participate in the formation and expansion of small businesses.¹¹¹³

Financial Summary

The SBA OVBD expended approximately \$9 million assisting 101,839 veterans at a cost of \$89.37 per veteran in FY 2013.¹¹¹⁴

5.7. DEPARTMENT OF JUSTICE PROGRAMS

5.7.1. EDUCATION ASSISTANCE

Education Assistance benefits are provided to uniformed Service members by multiple agencies including DoD, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), the Department of Education (ED), and the Department of Justice (DOJ).

¹¹⁰⁸ National Defense Authorization Act for FY 2008, Pub. L. No. 110-181, § 582, 122 Stat. 122 (2008), as codified in Armed Forces, 10 U.S.C. § 10101 note.

¹¹⁰⁹ For discussion of implementation of the YRRP, see DoD Yellow Ribbon Reintegration Program (YRRP), DoDI 1342.28 (2011). (Discussion of SBA-provided services is found at page 12 of the DoDI, as well as generally throughout the Instruction.)

¹¹¹⁰ Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 80, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

¹¹¹¹ Veterans Entrepreneurship and Small Business Development Act of 1999, Pub. L. No. 106-50, Title II, § 201(b)(2), 413 Stat. 233, 235 (1999).

¹¹¹² *Ibid.*, § 101.

¹¹¹³ *Ibid.*

¹¹¹⁴ Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 81, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

DOJ enforces the following:

5.7.1.1. SERVICEMEMBERS CIVIL RELIEF ACT INTEREST RATE CAP

The Servicemembers Civil Relief Act (SCRA) Interest Rate Cap is described in the Cross-Agency Benefits section of this report—Section 5.8.1 Education Assistance.

5.8. CROSS-AGENCY BENEFITS

Some QoL benefits are delivered to Service members, veterans, and their families by more than one Federal Agency. This approach integrates the complimentary expertise of these agencies while allowing them to customize the benefit for their beneficiaries. Table 17 summarizes benefits administered by more than one Federal Agency.

Table 17. Cross-Agency Benefit Administration

| Benefit | DoD | DHS | VA | DOL | SBA | DOJ | ED |
|---|-----|-----|----|-----|-----|-----|----|
| Education Assistance | X | X | X | | | X | X |
| Exchanges | X | X | X | | | | |
| Family Subsistence Supplemental Allowance | X | X | | | | | |
| Transition Assistance | X | X | X | X | X | | |

5.8.1. EDUCATION ASSISTANCE

Service members and veterans have access to many education programs through DoD, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA) and other Federal agencies. Some programs are only available for Service members while on active duty, while others are only available after departure from service. Additionally, there are programs available that can be accessed during both periods of time.

The following information includes a description of education benefits that are available to active-duty Service members through DoD, DHS, the Department of Education (ED), and the Department of Justice (DOJ). Also included is a description of education and training benefits available to Service members, dependents, and survivors through the VA and ED.

Some forms of education assistance are not addressed because they are outside of the Commission’s scope of study. These include education and training obtained while on duty, education and training in connection with military service, and Professional Military Education.

5.8.1.1. OFF-DUTY AND VOLUNTARY EDUCATION PROGRAMS AVAILABLE TO ACTIVE-DUTY SERVICE MEMBERS

Active-duty Service members can elect to participate in voluntary education programs during their off-duty time for adult or post-secondary education studies.¹¹¹⁵ These programs include tuition assistance, voluntary education programs,¹¹¹⁶ and loan repayment.¹¹¹⁷

5.8.1.1.1. Tuition Assistance

The Armed Forces offer financial assistance for tuition and fees for voluntary, off-duty educational programs¹¹¹⁸ in support of Service members' personal and professional goals through Tuition Assistance (TA).¹¹¹⁹ TA is available to active-duty Service members, Reservists, and National Guardsmen in an active-duty status.¹¹²⁰ Services may pay all or a portion of tuition and expenses for TA participants.¹¹²¹ "TA may be used for high school completion and approved courses from accredited undergraduate or graduate education programs or educational institutions. Approved courses are those that are part of an identified course of study leading to a postsecondary certificate or degree and nondegree-oriented language courses integral to the Defense Language Transformation Roadmap."¹¹²² Expenses TA does not include are books, flight training, retaking the same course, and continuing education units (CEUs).¹¹²³ "TA funding will only be paid to educational institutions accredited by an accrediting organization recognized by ED, approved for VA funding, and certified to participate in federal student aid programs through the ED under Title IV of [...]the Higher Education Act of 1965."¹¹²⁴ Tuition is paid directly to the school by the Service.¹¹²⁵ To be eligible for TA, enlisted Service members must have enough time remaining in service to complete the course for which they applied.¹¹²⁶ After the completion of a course, an officer using TA must fulfill at least an additional two-year active-duty service obligation.¹¹²⁷ Each military Service pays all or a portion of the charges of an educational institution for education during the member's off-duty periods.¹¹²⁸ When an educational institution's charges are equal to or less than the established cap per semester-hour of credit or its equivalent, the responsible Service pays the entire amount charged by the educational institution.¹¹²⁹ When an educational institution's charges exceed the established cap per semester-hour of credit, or equivalent, the responsible Service will pay no more than the established cap per semester-unit (or

¹¹¹⁵ Voluntary Education Programs, DoDI 1322.25 (2014).

¹¹¹⁶ Voluntary Education Programs for Military Personnel, DoDD 1322.08E (2007).

¹¹¹⁷ Armed Forces, 10 U.S.C. § 2171.

¹¹¹⁸ Armed Forces, 10 U.S.C. § 2007.

¹¹¹⁹ "Tuition Assistance," Military OneSource, accessed April 7, 2014, http://www.militaryonesource.mil/voluntary-education?content_id=268274.

¹¹²⁰ Armed Forces, 10 U.S.C. § 2007. Voluntary Education Programs, DoDI 1322.25, 16-17 (2014).

¹¹²¹ Armed Forces, 10 U.S.C. § 2007.

¹¹²² Voluntary Education Programs, DoDI 1322.25, 16-17 (2014).

¹¹²³ "Tuition Assistance," Military OneSource, accessed April 11, 2014, http://www.militaryonesource.mil/voluntary-education?content_id=268274.

¹¹²⁴ Voluntary Education Programs, DoDI 1322.25, May 23, 2014, 15.

¹¹²⁵ "Tuition Assistance," Military OneSource, accessed April 11, 2014, http://www.militaryonesource.mil/voluntary-education?content_id=268274.

¹¹²⁶ "Tuition Assistance," Military OneSource, accessed April 11, 2014, http://www.militaryonesource.mil/voluntary-education?content_id=268274.

¹¹²⁷ Armed Forces, 10 U.S.C. § 2007(b)(1).

¹¹²⁸ Voluntary Education Programs, DoDI 1322.25, 16-17 (2014).

¹¹²⁹ Ibid, 15.

equivalent).¹¹³⁰ The TA rate, credit-cap, and annual per capita ceiling are reviewed annually in consideration of inflation and other effects.¹¹³¹ The Under Secretary of Defense for Personnel and Readiness (USD(P&R)), in coordination with the Military Departments, reviews the uniform semester-hour (or equivalent) TA caps and annual TA ceilings to determine possible changes for the upcoming fiscal year.¹¹³²

The military Services may set additional requirements for TA eligibility, such as training qualifications and time in service.¹¹³³

Army:

- A soldier is not eligible for TA until a year after graduating from initial entry training.
- A soldier is required to wait until after completing 10 years of military service to qualify for a post-baccalaureate degree unless a BA degree was earned without using TA.
- There is a cap of 130 semester hours for baccalaureate degree completion and 39 semester hours for a master's degree.
- Soldiers who have been flagged for adverse action or who fail the Army Physical Fitness Test or weight standards are not eligible to use TA.
- Soldiers are authorized one post-secondary certificate or diploma such as welding or computer certification when using TA.¹¹³⁴

Navy:

- A sailor is not eligible for TA until after a year at their first permanent duty station assignment.¹¹³⁵
- TA is only approved for courses scheduled for one academic term at a time.¹¹³⁶
- TA is not authorized for the same course previously funded by TA.¹¹³⁷
- TA covers a maximum of 16 semesters.¹¹³⁸

Marine Corps:

- A Marine is eligible for TA only after 24 months of service on active duty.¹¹³⁹
- First-time TA applicants can only take one course to start, "unless documentation is provided that the Marine has at least an associate degree or at least 60 academic credits and a minimum GPA of 2.5."¹¹⁴⁰
- TA cannot be authorized for duplicate degrees (e.g., second associate degree).¹¹⁴¹
- Generally, a Marine using TA must maintain a minimum 2.5 GPA.¹¹⁴²

¹¹³⁰ Ibid, 16.

¹¹³¹ Ibid.

¹¹³² Ibid, 2-3.

¹¹³³ Ibid, 16-17.

¹¹³⁴ "Tuition Assistance Changes to Take Effect for 2014," U.S. Army, accessed April 11, 2014, http://www.army.mil/article/116405/Tuition_assistance_changes_to_take_effect. Official service publication AR 621-5 does not reflect these changes at this time.

¹¹³⁵ "Tuition Assistance," U.S. Navy College Program, accessed April 11, 2014, https://www.navycollege.navy.mil/ta_info.aspx#eligibility. Official service publication does not reflect this current information. Voluntary Education (VOLED) for Navy Sailors, OPNAVINST 1560.9A (2008).

¹¹³⁶ Ibid.

¹¹³⁷ Ibid.

¹¹³⁸ Ibid.

¹¹³⁹ Tuition Assistance Guidelines Update, MARADMIN 611/13 (2013), accessed June 20, 2014, <http://www.marines.mil/news/messages/TAbid/13074/article/154558/tuition-assistance-TA-guidelines-update.aspx>.

¹¹⁴⁰ Ibid.

¹¹⁴¹ Ibid.

¹¹⁴² Ibid.

- The Marine Corps TA budget is divided into fiscal quarters. Once quarterly funds are exhausted, TA approvals are deferred until the following quarter. When TA funds are available, approvals are limited to classes that begin during that quarter.¹¹⁴³

Air Force:

- Airmen who are on a “control roster” for substandard performance, such as receiving a referral or failing a physical fitness test, cannot take classes until the action against them has been resolved.¹¹⁴⁴
- TA cannot be authorized for duplicate degrees (e.g., second associate degree).¹¹⁴⁵

Coast Guard:

- Member must be on active duty or a Reservist on long-term orders greater than 180 days.¹¹⁴⁶
- Members are limited to six credit hours per fiscal quarter.¹¹⁴⁷
- A member using TA must maintain a minimum 2.0 GPA for undergraduate degree coursework and a minimum 3.0 GPA for graduate degree coursework.¹¹⁴⁸
- TA cannot be authorized for duplicate degrees (e.g. second associate degree).¹¹⁴⁹
- TA is not authorized for the same course previously funded by TA.¹¹⁵⁰

In the 1950s, TA was created as a means to provide education benefits to persons who were on active duty.¹¹⁵¹ At that time, VA education benefits were only available to veterans.¹¹⁵² The National Defense Authorization Act for FY 2001 amended the tuition assistance statute, which previously capped tuition and expenses at 75 percent.¹¹⁵³ In October of 2000, Pub. L. No. 106-398, § 1602 authorized the military Services, including all active, Reserve, and National Guard components, to pay TA up to 100 percent of the cost of tuition and related charges.¹¹⁵⁴

5.8.1.1.2. Voluntary Education Support

5.8.1.1.2.1. Joint Services Transcript

The American Council on Education College Credit for Military Service Program provides a service that validates military occupational experience and training for

¹¹⁴³ Ibid.

¹¹⁴⁴ Department of the Air Force, *U.S. Air Force Fact Sheet: Tuition Assistance*, accessed April 11, 2014, http://www.arpc.afrc.af.mil/library/factsheets/factsheet_print.asp?fsID=8487&=1. “New Tuition Assistance Rules Beginning Oct. 1,” Air Force Times, accessed April 11, 2014, <http://www.airforcetimes.com/article/20130829/EDU02/308290043/New-tuition-assistance-rules-beginning-Oct-1>.

¹¹⁴⁵ Ibid.

¹¹⁴⁶ Increased Tuition Assistance Annual Cap and Summary of Coast Guard Tuition Assistance Policy, ALCOAST 148/14 (2014).

¹¹⁴⁷ Tuition Assistance Expanded to Include Masters Degrees, ALCOAST 065/14 (2014).

¹¹⁴⁸ Performance, Training and Education Manual, COMDTINST M1500.10C, 11-9 (2009).

¹¹⁴⁹ Ibid. Increased Tuition Assistance Annual Cap and Summary of Coast Guard Tuition Assistance Policy, ALCOAST 148/14 (2014).

¹¹⁵⁰ Performance, Training and Education Manual, COMDTINST M1500.10C, 11-9 (2009).

¹¹⁵¹ Department of Veterans Affairs, *Part V: Chapter 10 - Tuition Assistance Top-up*, accessed April 11, 2014, http://www.benefits.va.gov/warms/docs/admin22/m22_4/part05/ch10.htm#s1004.

¹¹⁵² Ibid.

¹¹⁵³ Pub. L. No. 106-398, §1 [[div. A], title XVI, §1602(a)(1)], 114 Stat. 1654A-1, 1654A-358 (2000) (amending 10 U.S.C. § 2007)(added subsec. (a) and struck out former subsec. (a) which read as follows: “The Secretary of a military department may not pay more than 75 percent of the charges of an educational institution for the tuition or expenses of a member of the armed forces enrolled in such institution for education or training during his off-duty periods...).

¹¹⁵⁴ National Defense Authorization Act, FY 2001, Pub. L. No. 106-398, § 1602; 114 Stat. 1654,1654A-358 (2000).

college credit.¹¹⁵⁵ The American Council on Education (ACE) facilitates communication between DoD and higher educational institutions by reviewing Service members' military training to award college credits for that experience.¹¹⁵⁶ The joint services transcript (JST) is an official education transcript tool for documenting the recommended ACE college credits for a variety of professional military education courses, training courses, and occupational experiences of Service members across the Services.¹¹⁵⁷ The JST consolidates data from legacy documents such as the Army/ACE Registry Transcript System, the Sailor/Marine ACE Registry Transcript System, the Community College of the Air Force (CCAF) transcript, and the Coast Guard Institute transcript.¹¹⁵⁸ The Military Services must provide their members with a JST.¹¹⁵⁹ At a minimum, the JST includes documented military student data, courses, and military occupations evaluated by ACE, including descriptions, learning outcomes, and equivalent college credit recommendations, as well as national college-level exam results.¹¹⁶⁰ The U.S. Air Force continues to use the CCAF to document its members' academic and military credit.¹¹⁶¹

5.8.1.1.2.2. Servicemembers Opportunity Colleges Degree Network System

The Servicemembers Opportunity Colleges (SOC) Degree Network is a consortium of more than 1,800 colleges and universities providing educational opportunities to Service members who may have difficulty in completing college programs due to frequent military moves.¹¹⁶² An educational institution granting undergraduate academic credit must adhere to SOC Principles and Criteria regarding the transferability of credit, the awarding of credit for military training and experience, and residency requirements.¹¹⁶³

5.8.1.1.2.3. Examinations Program

The Defense Activities for Non-Traditional Education Support (DANTES) is responsible for managing and facilitating the delivery of a wide variety of examinations including the General Equivalency Diploma test, college admissions, and credit-by-examination programs.¹¹⁶⁴

5.8.1.1.2.4. College Loan Repayment Program

The Military Services provide a Loan Repayment Program (LRP) as a special enlistment incentive offered to highly qualified applicants at the time of enlistment.¹¹⁶⁵ Under the LRP, the Army and Navy repay up to \$65,000 for a Service member's qualifying

¹¹⁵⁵ Voluntary Education Programs, DoDI 1322.25 (2014). "College Credit for Military Service," American Council on Education, accessed June 1, 2014, <http://www.acenet.edu/higher-education/topics/s/College-Credit-for-Military-Service.aspx>.

¹¹⁵⁶ "Guide to the Evaluation of Educational Experiences in the Armed Services," American Council on Education, accessed April 11, 2014, <http://www.acenet.edu/news-room/Pages/Military-Guide-Online.aspx#>.

¹¹⁵⁷ Voluntary Education Programs, DoDI 1322.25, 67 (2014).

¹¹⁵⁸ Ibid.

¹¹⁵⁹ Ibid, 13.

¹¹⁶⁰ Ibid, 13-14.

¹¹⁶¹ Ibid, 14.

¹¹⁶² Ibid, 68. National Defense, 32 CFR 68.3.

¹¹⁶³ Voluntary Education Programs, DoDI 1322.25, 28 (2014). "SOC Consortium Publications/Forms/Resources," SOC Consortium, accessed June 1, 2014, <http://www.soc.aascu.org/socconsortium/PublicationsSOC.html>.

¹¹⁶⁴ Voluntary Education Programs, DoDI 1322.25, 32 (2014). Voluntary Education Programs for Military Personnel, DoDD 1322.08E (2007).

¹¹⁶⁵ Armed Forces, 10 U.S.C. § 2171. See also "College Loan Repayment Program (LRP)," My Army Benefits, accessed April 11, 2014, [http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_\(LRP\).html?serv=147](http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_(LRP).html?serv=147).

student loans.¹¹⁶⁶ The Air Force has a similar college loan repayment program for enlisted Airmen with federally-insured student loans.¹¹⁶⁷ Use of individual contracting for LRP requires that the Service member incurred one of the following loans: Federally Insured Student Loans Subsidized, Unsubsidized Stafford Loans, National Direct Student Loans, Perkins Loans, Consolidated Loans (only loans incurred for the use of the individual contracting for the LRP), or Parent Loans for Undergraduate Students (PLUS).¹¹⁶⁸

5.8.1.2. ED AND DOJ EDUCATION BENEFITS AVAILABLE TO ACTIVE-DUTY SERVICE MEMBERS

The following are education benefits provided to Service members on active duty by Federal agencies outside of DoD, DHS, and VA.

5.8.1.2.1. In-State Tuition for Members of the Armed Forces on Active Duty and Dependents (enforced by ED)

Members of the Military Services on active duty assigned to a permanent duty station for a period of more than 30 days, and their dependents, are eligible for in-State tuition rates at public universities/colleges in the State of the permanent duty station or domicile.¹¹⁶⁹

5.8.1.2.2. ED Cancellation of Federal Student Loan

Members of the Military Services serving in hostile-fire or imminent-danger pay areas for at least one year are eligible for cancellation of all or a portion of their Federal Perkins Loans or National Direct Student Loans (NDSL).¹¹⁷⁰ This benefit does not apply to Stafford Loans or PLUS Loans.¹¹⁷¹ Service members with Federal Perkins Loans may have up to 15 percent of their loans canceled for each year of service in an area of hostilities that qualifies for special pay.¹¹⁷²

5.8.1.2.3. ED Public Service Loan Forgiveness Program

Members of the Military Services employed by the military on a full-time basis for 10 years may apply to have an eligible direct loan discharged.¹¹⁷³ A Service member may obtain loan forgiveness under this program after 120 separate monthly payments if he/she is not in default on the loan for which forgiveness is requested.¹¹⁷⁴

¹¹⁶⁶ "College Loan Repayment Program (LRP)," My Army Benefits, accessed April 11, 2014, [http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_\(LRP\).html?serv=147](http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_(LRP).html?serv=147). See also "Loan Repayment Program Frequently Asked Questions," Navy Recruiting Command, accessed April 11, 2014, <http://www.cnrc.navy.mil/EIncentives/N5311%20EB/EB/FAQ/LRP%20ADOBE.pdf>.

¹¹⁶⁷ Voluntary Education Program, AFI 36-2306 (2011).

¹¹⁶⁸ Armed Forces, 10 U.S.C. § 2171. See also "Loan Repayment Program Frequently Asked Questions," Navy Recruiting Command, accessed April 11, 2014, <http://www.cnrc.navy.mil/EIncentives/N5311%20EB/EB/FAQ/LRP%20ADOBE.pdf>.

¹¹⁶⁹ Education, 20 U.S.C. § 1015d.

¹¹⁷⁰ Education, 20 U.S.C. § 1087ee(a)(2)(D). See also 34 CFR 674.59.

¹¹⁷¹ Education, 20 U.S.C. § 1087ee(a)(1). See also "Cancellation of Federal Student Loans," My Army Benefits, accessed April 11, 2014, http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/Cancellation_of_Federal_Student_Loans.html?serv=147.

¹¹⁷² Education, 20 U.S.C. § 1087ee(a)(2)(D). See also Department of Education, *Perkins Cancellation IFAP*, 6-82, accessed April 11, 2014, <http://www.ifaed.gov/fsahandbook/attachments/0910FSAHbkVol6Ch5Oct2.pdf>.

¹¹⁷³ Education, 20 U.S.C. § 1087e(m). Education, 34 CFR 685.219.

¹¹⁷⁴ Ibid.

5.8.1.2.4. ED Military Service Loan Deferment

Borrowers in the Military Services may be eligible to postpone federal student loan repayment for up to three years while serving on active duty during a war, other military operation, or national emergency. Eligibility for this program includes the six months following demobilization.¹¹⁷⁵ Service members in hostile areas that qualify them for special pay may be eligible for 0 percent interest on Direct Loans made on or after October 1, 2008, for up to 60 months.¹¹⁷⁶

5.8.1.2.5. Servicemembers Civil Relief Act Interest Rate Cap (enforced by DOJ)

Under Servicemembers Civil Relief Act (SCRA), interest on federal student loans obtained prior to military service is limited to 6 percent during periods of active duty for members of the Military Services.¹¹⁷⁷

5.8.1.3. VA EDUCATION PROGRAMS AVAILABLE TO ACTIVE-DUTY AND SEPARATED SERVICE MEMBERS

The following education programs are funded and administered by VA and are provided to both active-duty and separated Service members.

5.8.1.3.1. Post-9/11 GI Bill

Education assistance may be available to active-duty uniformed Service members and veterans with an honorable discharge who have at least 90 days of aggregate service after September 10, 2001, or to individuals who have a minimum of 30 continuous days of service discharged due to a Service-connected disability.¹¹⁷⁸ The Post-9/11 GI Bill covers all tuition and fees for in-State students or up to \$19,198.31 of tuition and fees at private or foreign schools per academic year.¹¹⁷⁹ The maximum amounts of tuition and fees payable for the upcoming academic year are published by the first of August of each calendar year.¹¹⁸⁰ The maximum amounts payable, as published, will be effective for each term, quarter, or semester that begins during the academic year.¹¹⁸¹ The amount covered for the beneficiary varies based on time in service.¹¹⁸² A Service member is eligible to receive up to 40 percent of the maximum amount payable after 90 aggregate days of creditable active-duty service but less than 6 months of such service.¹¹⁸³ A Service member is eligible for 100 percent of the maximum amount payable under this GI bill after 36 aggregate months on active duty.¹¹⁸⁴

In addition, participants may receive a monthly housing allowance equal to the basic allowance for housing payable to an E-5 with dependents in the same ZIP code as the

¹¹⁷⁵ Education, 20 U.S.C. § 1078(b)(1)(M).

¹¹⁷⁶ Department of Education, *For Members of the U.S. Armed Forces: What you need to know about your federal student loan benefits*, accessed June 1, 2014, <https://studentaid.ed.gov/sites/default/files/military-student-loan-benefits.pdf>.

¹¹⁷⁷ War and National Defense, 50 U.S.C. App. § 527.

¹¹⁷⁸ Post-9/11 Veterans Educational Assistance Act of 2008, Pub. L. No. 110-252, § 5001, 122 Stat. 2323, 2357 (2008) (codified at Veterans' Benefits, 38 U.S.C. § 3311). Schedule for Rating Disabilities, 38 CFR 21.9500, 21.9520, and 21.9640.

¹¹⁷⁹ Veterans' Benefits, 38 U.S.C. § 3313. See also "Education and Training," Department of Veterans Affairs, accessed June 1, 2014, http://www.benefits.va.gov/gibill/resources/benefits_resources/rates/ch33/Ch33rates080113.asp.

¹¹⁸⁰ Schedule for Rating Disabilities, 38 CFR 21.9620.

¹¹⁸¹ Ibid.

¹¹⁸² Veterans' Benefits, 38 U.S.C. §§ 3311 and 3313. Schedule for Rating Disabilities, 38 CFR 21.9520, 21.9525, and 21.9640. "Federal Benefits for Veterans, Dependents, and Survivors, Chapter 5 Education and Training," Department of Veterans Affairs, accessed June 1, 2014, http://www.va.gov/opa/publications/benefits_book/benefits_chap05.asp.

¹¹⁸³ Schedule for Rating Disabilities, 38 CFR 21.9640.

¹¹⁸⁴ Ibid. "Federal Benefits for Veterans, Dependents, and Survivors, Chapter 5 Education and Training," Department of Veterans Affairs, accessed June 1, 2014, http://www.va.gov/opa/publications/benefits_book/benefits_chap05.asp.

school. They receive an annual stipend for books and supplies. They may also receive a one-time rural relocation benefit payment.¹¹⁸⁵ Approved educational programs under this GI Bill include graduate and undergraduate degrees, vocational and technical training, on-the-job training, flight training, correspondence training, licensing and national testing programs, entrepreneurship training, and tutorial assistance.¹¹⁸⁶ This GI bill provides up to 36 months of education benefits,¹¹⁸⁷ which may be used for up to 15 years following separation from active duty.¹¹⁸⁸ After officers commissioned through a Service Academy or an ROTC program have completed their service obligation, they are eligible to start completing service toward earning Post-9/11 GI benefits.¹¹⁸⁹ Additionally, a period of service counted under the Loan Repayment Program may not be counted as a period of service for entitlement to educational assistance under the Post-9/11 GI Bill.¹¹⁹⁰

The uniformed services may allow Service members the opportunity to transfer their Post-9/11 GI Bill benefit to their spouse or dependents.¹¹⁹¹ Most Service members eligible for the Post-9/11 GI Bill are eligible to transfer their benefit if they have at least six years of military service and agree to serve four additional years, or have at least 10 years of service and are unable to complete four additional years of service due to certain circumstances.¹¹⁹² For specific qualification details on eligibility requirements for transferability please refer to DoD Instruction 1341.13.¹¹⁹³

When a Service member transfers part or all of the benefit to a spouse, one or more children, or any combination of spouse and children,¹¹⁹⁴ the Service member must (1) designate the dependent or dependents to whom such entitlement is being transferred; (2) designate the number of months of entitlement to be transferred to each dependent; and (3) specify the beginning date and ending date of the period for which the transfer is effective for each dependent.¹¹⁹⁵ After designating a dependent as a transferee, the Service member retains the right to revoke or modify the transfer at any time.¹¹⁹⁶ A spouse may start to use the benefit once it is transferred and the Service member completes at least six years of active-duty service.¹¹⁹⁷ A spouse may use the benefit for up to 15 years after the Service member's last separation from active duty.¹¹⁹⁸ A child may not use the benefit until he or she has attained a secondary school diploma (or equivalency certificate), or reached 18 years of age.¹¹⁹⁹ Children are entitled to the monthly stipend and books and supplies stipend even

¹¹⁸⁵ Veterans' Benefits, 38 U.S.C. § 3313. Schedule for Rating Disabilities, 38 CFR 21.9640. Veterans' Benefits, 38 U.S.C. § 3318. Schedule for Rating Disabilities, 38 CFR 21.9660.

¹¹⁸⁶ Schedule for Rating Disabilities, 38 CFR 21.9590. "Post-9/11 GI Bill," Department of Veterans Affairs, http://www.benefits.va.gov/gibill/post911_gibill.asp.

¹¹⁸⁷ Veterans' Benefits, 38 U.S.C. § 3312.

¹¹⁸⁸ Veterans' Benefits, 38 U.S.C. § 3321. Schedule for Rating Disabilities, 38 CFR 21.9530.

¹¹⁸⁹ Post-9/11 GI Bill, DoDI 1341.13 (2013).

¹¹⁹⁰ Veterans' Benefits, 38 U.S.C. § 3322(b).

¹¹⁹¹ Veterans' Benefits, 38 U.S.C. § 3319. Schedule for Rating Disabilities, 38 CFR 21.9570.

¹¹⁹² Veterans' Benefits, 38 U.S.C. § 3319. Schedule for Rating Disabilities, 38 CFR 91.9570(l).

¹¹⁹³ Post-9/11 GI Bill, DoDI 1341.13 (2013).

¹¹⁹⁴ Veterans' Benefits, 38 U.S.C. § 3319(c). Post-9/11 GI Bill, DoDI 1341.13 (2013). Schedule for Rating Disabilities, 38 CFR 21.9570(b).

¹¹⁹⁵ Veterans' Benefits, 38 U.S.C. § 3319(d). Schedule for Rating Disabilities, 38 CFR 21.9570(d).

¹¹⁹⁶ Veterans' Benefits, 38 U.S.C. § 3319. Schedule for Rating Disabilities, 38 CFR 21.9570(f). Post-9/11 GI Bill, DoDI 1341.13, 11 (2013).

¹¹⁹⁷ Veterans' Benefits, 38 U.S.C. § 3319. Post-9/11 GI Bill, DoDI 1341.13, 11 (2013).

¹¹⁹⁸ Veterans' Benefits, 38 U.S.C. § 3319. Schedule for Rating Disabilities, 38 CFR 21.9530(d).

¹¹⁹⁹ Veterans' Benefits, 38 U.S.C. § 3319; Schedule for Rating Disabilities, 38 CFR 21.9625(j).

while the eligible Service member is on active duty.¹²⁰⁰ Children are also not subject to the 15-year delimiting date, but may not use the benefit after reaching 26 years of age.¹²⁰¹ Although VA funds the Post-9/11 GI Bill benefits, DoD sets the policies and procedures for transferability.¹²⁰²

5.8.1.3.2. Yellow Ribbon GI Education Enhancement Program

With this program, approved institutions of higher learning and the VA, partially or fully fund tuition and fee expenses that exceed the established limits under the Post-9/11 GI Bill.¹²⁰³ The school of attendance must accept the VA's invitation to participate in the program, state how and how much student tuition will be waived (up to 50 percent), and how many participants will be accepted into the program during the current academic year.¹²⁰⁴ VA will match the school's percentage (up to 50 percent) to reduce or eliminate out-of-pocket costs for eligible participants.¹²⁰⁵ The student must be a veteran receiving benefits at the 100 percent benefit rate payable, a transfer-of-entitlement-eligible dependent child, or a transfer-of-entitlement eligible spouse of a veteran.¹²⁰⁶ A list of schools participating in the Yellow Ribbon Program is available on the VA Education and Training website.¹²⁰⁷

5.8.1.3.3. Montgomery GI Bill Active Duty

The Montgomery GI Bill Active Duty provides education benefits to members of the Military Services who (1) first entered active duty after June 30, 1985,¹²⁰⁸ (2) have a remaining entitlement under the Vietnam Era GI Bill,¹²⁰⁹ (3) were involuntarily separated under the Voluntary Separation Incentive or Special Separation Benefit program,¹²¹⁰ and (4) are Veterans Educational Assistance Program (VEAP)¹²¹¹ participants who elected to convert to the Montgomery GI Bill during the open window periods.¹²¹²

Service members enroll and pay \$100 per month for 12 months. They are then entitled to receive a monthly education benefit once they have completed a minimum of three years, if their original obligation was for three years, or two years if that was their initial obligation.¹²¹³ Before using their Montgomery GI Bill Benefits, Service members must also complete a high school diploma or the equivalent of 12 semester hours in a program of education leading to a standard college degree.¹²¹⁴ This benefit can be used for degree programs, certificate or correspondence courses, cooperative training, independent study programs, apprenticeship or on-the-job training, and

¹²⁰⁰ Schedule for Rating Disabilities, 38 CFR 21.9570(k). "Transfer Post-9/11 GI Bill to Spouse and Dependents," Department of Veteran Affairs, http://www.benefits.va.gov/gibill/post911_transfer.asp.

¹²⁰¹ Veterans' Benefits, 38 U.S.C. § 3319(h)(5)(A); Schedule for Rating Disabilities, 38 CFR 21.9530(e).

¹²⁰² Veterans' Benefits, 38 U.S.C. § 3319.

¹²⁰³ Veterans' Benefits, 38 U.S.C. § 3317. Schedule for Rating Disabilities, 38 CFR 21.9700. "Yellow Ribbon Program," Department of Veteran Affairs, accessed April 10, 2014, http://www.benefits.va.gov/gibill/yellow_ribbon.asp.

¹²⁰⁴ Veterans' Benefits, 38 U.S.C. § 3317(c).

¹²⁰⁵ Veterans' Benefits, 38 U.S.C. § 3317(d).

¹²⁰⁶ Veterans' Benefits, 38 U.S.C. § 3317. Schedule for Rating Disabilities, 38 CFR 21.9700(b).

¹²⁰⁷ "Yellow Ribbon Program," Department of Veteran Affairs, accessed April 10, 2014, http://www.benefits.va.gov/gibill/yellow_ribbon.asp.

¹²⁰⁸ Veterans' Benefits, 38 U.S.C. § 3011(a)(1).

¹²⁰⁹ Schedule for Rating Disabilities, 38 CFR 21.7045.

¹²¹⁰ Veterans' Benefits, 38 U.S.C. §§ 3018A, B. Schedule for Rating Disabilities, 8 CFR 21.7045.

¹²¹¹ Veterans' Benefits, 38 U.S.C. § 3018C.

¹²¹² Veterans' Benefits, 38 U.S.C. § 3018. See also Montgomery GI Bill (MGIB) Program, DoDD 1322.16 (2002).

¹²¹³ Veterans' Benefits, 38 U.S.C. § 3011(b) (if the Service member becomes eligible for the Montgomery GI Bill under Veterans' Benefits, 38 U.S.C. § 3011(a)(1)(A), then the \$100 reduction in pay for 12 months is applicable. Otherwise, it is not).

¹²¹⁴ Veterans' Benefits, 38 U.S.C. § 3011(a)(2).

vocational flight training programs.¹²¹⁵ The monthly benefit paid is based on the type of training and length of service.¹²¹⁶ Beneficiaries are entitled to up to 36 months¹²¹⁷ of education benefits, payable for up to 10 years following separation from active duty.¹²¹⁸ Like the Post-9/11 GI Bill, the Montgomery GI Bill benefit is also now transferable to spouses and children of eligible Service members after serving 10 years in the Armed Forces, or six years with a four year commitment.¹²¹⁹ Transferability was not originally included in the Montgomery GI Bill,¹²²⁰ but was added in the National Defense Authorization Act for FY 2002.¹²²¹

5.8.1.3.4. Montgomery GI Bill Selected Reserve

The Montgomery GI Bill is also available to members of the Selected Reserve if they meet the eligibility requirements.¹²²² Specific eligibility requirements include a four-year obligation to serve in the Selected Reserve. This obligation must be signed after June 30, 1985. Other requirements include:

- completing a two-year obligation as an active-duty Service member
- attaining a high school diploma or equivalency certificate
- earning an honorable discharge
- retiring
- transferring to the Ready Reserve
- continued active duty
- or, Selected Reserve service¹²²³

If Selected Reserve members meet these established requirements, they are entitled to the same benefits as the Montgomery GI Bill active-duty beneficiaries.¹²²⁴

5.8.1.3.5. Tuition Assistance Top-Up

VA can pay the difference between the total cost of a college course and the amount of Tuition Assistance that is paid by the Service for the course. This can be done if a Service member is approved for Tuition Assistance by a Service and is eligible for the Montgomery GI Bill Active Duty or Post-9/11 GI Bill.¹²²⁵ If a Service member receives the Top-Up benefit, his or her GI Bill benefits are reduced.¹²²⁶ Montgomery GI Bill beneficiaries are charged one month of entitlement for each payment received that is equal to the full time monthly rate for the GI Bill.¹²²⁷ Post-9/11 GI Bill beneficiaries are charged based on the amount of time a member is enrolled.¹²²⁸

¹²¹⁵ Veterans' Benefits, 38 U.S.C. § 3014(a) provides that "the Secretary shall pay to each individual entitled to basic educational assistance who is pursuing an approved program of education a basic educational assistance allowance to help meet, in part, the expenses of such individual's subsistence, tuition, fees, supplies, books, equipment, and other educational costs." Veterans' Benefits, 38 U.S.C. § 3002 provides that the term "program of education" has the same meaning as that found in Veterans' Benefits, 38 U.S.C. § 3452(b).

¹²¹⁶ Veterans' Benefits, 38 U.S.C. § 3015. Schedule for Rating Disabilities, 38 CFR 21, Subpart K - All Volunteer Force Educational Assistance Program (Montgomery GI Bill—Active Duty) § 21.7072.

¹²¹⁷ Veterans' Benefits, 38 U.S.C. § 3013 (a)(1).

¹²¹⁸ Veterans' Benefits, 38 U.S.C. § 3031(a).

¹²¹⁹ Veterans' Benefits, 38 U.S.C. § 3020.

¹²²⁰ Servicemen's Readjustment Act of 1944, Pub. L. No. 78-346, 58 Stat. 291 (1944).

¹²²¹ National Defense Authorization Act for FY 2002, Pub. L. No. 107-107, § 654, 115 Stat. 1012, 1153 (2001).

¹²²² Veterans' Benefits, 38 U.S.C. § 3012.

¹²²³ Veterans' Benefits, 38 U.S.C. § 3012(a).

¹²²⁴ Ibid.

¹²²⁵ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398 §1602(b) (2000).

¹²²⁶ Schedule for Rating Disabilities, 38 CFR 21.7075. See also Schedule for Rating Disabilities, 38 CFR 21.7076(b)(10).

¹²²⁷ Ibid.

¹²²⁸ Veterans' Benefits, 38 U.S.C. § 3313(e)(4).

5.8.1.3.6. GI Bill Kicker

The Secretary of a Military Department may increase the amount of educational assistance paid to an individual who has a skill or specialty (1) for which there is a critical shortage of personnel, (2) for which there is difficulty recruiting, or, (3) in the case of critical units, for which there is difficulty retaining personnel.¹²²⁹ Kickers can increase the monthly payment rate for the Post-9/11 GI Bill and the Montgomery GI Bill by as much as \$950 a month.¹²³⁰

5.8.1.3.7. Reserve Education Assistance Program

The Reserve Education Assistance Program (REAP) was designed to provide educational assistance to members of the Reserve Components called or ordered to active duty in response to a war or national emergency (contingency operation) as declared by the President or the Congress. They need to have been activated on or after September 11, 2001, for at least 90 consecutive days.¹²³¹ REAP can be used for college or university degree programs, vocational programs, independent study or distance learning programs, correspondence courses, flight training, on-the-job training and apprenticeship programs, licensing and certification test reimbursement, and entrepreneurship courses.¹²³² The amount payable under REAP is a percentage of the Montgomery GI Bill-Active Duty rate based on the number of continuous days served on active duty.¹²³³ REAP cannot be used with other VA educational benefits.¹²³⁴ Generally, a Service member remains entitled to educational assistance for 10 years. The 10-year time period begins on the date the person separates from the Selected Reserve.¹²³⁵ REAP education benefits can be transferred to eligible members' dependents.¹²³⁶

5.8.1.3.8. Post-Vietnam Era Veterans Educational Assistance Program

Post-Vietnam Era Veterans Educational Assistance Program (VEAP) is the education assistance program developed for Vietnam Era veterans and is a voluntary contribution and matching program.¹²³⁷ To be eligible, individuals must have initially entered active duty in the Military Services on or after January 1, 1977, and before July 1, 1985. They need to have enrolled and contributed to the program, before April 1, 1987.¹²³⁸ Individuals on active duty can enroll and contribute between \$25 and \$100 a month up to a total of \$2,700.¹²³⁹ The Government matches contributions on a 2-for-1 basis.¹²⁴⁰ Programs covered under VEAP include secondary school diploma (or equivalent), standard college degree, certificate, apprenticeship/on-the-job training programs, and in certain circumstances, correspondence, vocational flight

¹²²⁹ Armed Forces, 10 U.S.C. § 16131(i). Veterans' Benefits, 38 U.S.C. § 3015(d)(1). Veterans' Benefits, 38 U.S.C. § 3316(a). A detailed discussion of all three of these authorities can be found at Schedule for Rating Disabilities, 38 CFR 21.9650.

¹²³⁰ Schedule for Rating Disabilities, 38 CFR 21.9650.

¹²³¹ Armed Forces, 10 U.S.C. § 16161. Armed Forces, 10 U.S.C. § 16163.

¹²³² Armed Forces, 10 U.S.C. § 16162(b) states all education assistance programs approved in chapter 30, Title 38 U.S.C. are approved for REA.

¹²³³ Armed Forces, 10 U.S.C. §§ 16131(c), 16136.

¹²³⁴ Armed Forces, 10 U.S.C. § 16163(d) & (e).

¹²³⁵ Armed Forces, 10 U.S.C. § 16164.

¹²³⁶ Armed Forces, 10 U.S.C. § 16163a.

¹²³⁷ Veterans' Education and Employment Assistance Act of 1976, Pub. L. No. 94-502, § 404, 90 Stat. 2383, 2393 (1976) (now codified at Veterans' Benefits, 38 U.S.C. § 3201, *et seq.*).

¹²³⁸ Veterans' Benefits, 38 U.S.C. § 3221. Veterans' Benefits Improvement and Health Care Authorization Act of 1986, Pub. L. No. 99-576, § 309, 100 Stat. 3248, 3270 (1986) terminated new enrollments into VEAP; however, those who were eligible to contribute into VEAP as of July 1, 1985 had until April 1, 1987 to enroll).

¹²³⁹ Veterans' Benefits, 38 U.S.C. § 3222(a).

¹²⁴⁰ Veterans' Benefits, 38 U.S.C. § 3222(b).

training, remedial, deficiency, and refresher training programs.¹²⁴¹ Benefit entitlement is 1 to 36 months depending on the number of monthly contributions.¹²⁴² Beneficiaries have 10 years from their separation from active duty to use their VEAP benefits.¹²⁴³ If the entitlement is not used after the 10-year period, the veteran may apply for a refund of his or her unused contributions to the fund.¹²⁴⁴

5.8.1.3.9. Work-Study Program

Participants who are enrolled in VA education or training programs at the three-quarter or full-time rate may be eligible for a work-study program. They work for VA and receive hourly wages equal to the Federal minimum wage or their State's minimum wage, whichever is greater.¹²⁴⁵ Students under the Work-Study Program must be supervised by a VA employee, and all duties performed must relate to VA.¹²⁴⁶

5.8.1.4. VA TRAINING PROGRAMS AVAILABLE TO ACTIVE-DUTY AND SEPARATED SERVICE MEMBERS

The following are training programs funded and administered by VA that are provided to both active-duty and separated Service members.

5.8.1.4.1. Vocational Rehabilitation and Employment

Vocational Rehabilitation and Employment (VR&E) assists veterans with service-connected disabilities to prepare for, find, and keep suitable jobs and achieve independence in daily living.¹²⁴⁷ To be eligible, a veteran must (1) have a VA service-connected disability rated at least 20 percent with an employment handicap, or (2) have a service-connected disability rating of 10 percent with a serious employment handicap.¹²⁴⁸ A VA counselor must decide if an individual has an employment handicap based upon the results of a comprehensive evaluation.¹²⁴⁹ The counselor and veteran work together to develop a rehabilitation plan after an entitlement decision is made.¹²⁵⁰ The rehabilitation plan specifies the rehabilitation services provided.¹²⁵¹ Rehabilitation services offered in the program include, but are not limited to educational, vocational, psychological, employment, and personal adjustment counseling, prosthetic appliances, eyeglasses, and other corrective and assistive devices, and services to a veteran's family as necessary to effectively rehabilitate such a veteran.¹²⁵² The basic period of eligibility in which VR&E services may be used is up to 12 years after separation from active duty.¹²⁵³ VR&E includes a program called

¹²⁴¹ Veterans' Benefits, 38 U.S.C. § 3231 provides entitlement to eligible veterans for assistance for "programs of education." Veterans' Benefits, 38 U.S.C. § 3201 provides that "program of education" is given the same definition as that found in Veterans' Benefits, 38 U.S.C. § 3452(b).

¹²⁴² Veterans' Benefits, 38 U.S.C. § 3231(a)(2).

¹²⁴³ Veterans' Benefits, 38 U.S.C. § 3232(a)(1).

¹²⁴⁴ Veterans' Benefits, 38 U.S.C. § 3232(b). Failure to use benefits during the 10-year period results in automatic disenrollment after one year after the 10 year expiration. Following disenrollment, the veteran is notified and can apply for a refund, if funds remain.

¹²⁴⁵ Veterans' Benefits, 38 U.S.C. § 3485.

¹²⁴⁶ See Veterans' Benefits, 38 U.S.C. § 3485(a)(4) (describing "qualifying work-study activity").

¹²⁴⁷ This program is authorized in chapter 31 of Title 38, U.S. Code.

¹²⁴⁸ Veterans' Benefits, 38 U.S.C. § 3102(a).

¹²⁴⁹ Schedule for Rating Disabilities, 38 CFR 21.50.

¹²⁵⁰ Veterans' Benefits, 38 U.S.C. § 3106. (The plan is developed in accordance with Veterans' Benefits, 38 U.S.C. § 3107.

¹²⁵¹ Veterans' Benefits, 38 U.S.C. § 3107(a). The rehabilitation plan also includes long-range rehab goals, projected start and end dates, and objective evaluation criteria and procedures.

¹²⁵² Veterans' Benefits, 38 U.S.C. § 3104 (contains an exhaustive list of services offered under the program).

¹²⁵³ Veterans' Benefits, 38 U.S.C. § 3103(a).

VetSuccess on Campus, which provides outreach and transition services for Service members and veterans as they transition from military service to college. The program provides coordinated delivery of on-campus benefits assistance and counseling which leads to completion of their education.¹²⁵⁴

5.8.1.4.2. Education and Career Counseling Program

Service members and veterans receive personalized counseling and support to help guide their career paths, ensure most effective use of their VA benefits, and achieve their goals.¹²⁵⁵ This program is part of the VA's training and rehabilitation program. Those who benefit from this program include (1) veterans with service-connected disabilities rated at 20 percent or more, (2) veterans hospitalized or receiving outpatient medical care, services, or treatment for a service-connected disability pending discharge from the active military, and (3) veterans with a service-connected disability rated at 10 percent and determined to have a serious employment handicap.¹²⁵⁶ Counseling services include assistance with career and education choices, benefits coaching, and personalized support.¹²⁵⁷

5.8.1.5. ED EDUCATION BENEFITS AVAILABLE TO SEPARATED SERVICE MEMBERS

The following includes ED education programs available to veterans after active-duty service.

5.8.1.5.1. Loan Deferments After Active Duty

Certain Service members are eligible to postpone repayment of education loans. These include activated Service members in the Reserve and National Guard as well as retirees who have been activated. They must be borrowers with a Federal Perkins loan, an NDSL, or a Defense loan and be enrolled in school (or were enrolled in school within the six months preceding activation). They are eligible to postpone loan repayment during the 13 months following the conclusion of such service.¹²⁵⁸

5.8.1.6. VA AND ED EDUCATION BENEFITS AVAILABLE TO SURVIVORS AND DEPENDENTS

The following includes education benefits funded and administered by VA and ED that are provided to survivors and dependents.

5.8.1.6.1. VA Survivors' and Dependents' Educational Assistance Program

The VA Survivors' and Dependents' Educational Assistance (DEA) program provides education and training opportunities to the spouse or child of (1) a Military Service member, (2) a veteran who is permanently and totally disabled due to a service-related

¹²⁵⁴ VetSuccess on Campus, Department of Veterans Affairs, accessed April 11, 2014, https://www.vetsuccess.va.gov/public/vetsuccess_on_campus.html.

¹²⁵⁵ Veterans' Benefits, 38 U.S.C. § 3104. Schedule for Rating Disabilities, 38 CFR 21.100.

¹²⁵⁶ Veterans' Benefits, 38 U.S.C. § 3102. Schedule for Rating Disabilities, 38 CFR 21.100(a). "Department of Veterans Affairs Education and Vocational Counseling," Department of Veterans Affairs, accessed April 11, 2014, http://www.benefits.va.gov/vocrehab/edu_voc_counseling.asp.

¹²⁵⁷ Schedule for Rating Disabilities, 38 CFR 21.100(b). "Department of Veterans Affairs Education and Vocational Counseling," Department of Veterans Affairs, accessed April 11, 2014, http://www.benefits.va.gov/vocrehab/edu_voc_counseling.asp.

¹²⁵⁸ Education, 20 U.S.C. § 1098f.

condition, or (3) a veteran who died while on active duty or as a result of a service-related condition.¹²⁵⁹ The program offers up to 45 months¹²⁶⁰ of education benefits, which may be used for degree and certificate programs, apprenticeship, and on-the-job training.¹²⁶¹ Effective October 1, 2012, the payment rate for DEA for institution training became \$1,003 a month for full-time school attendance.¹²⁶²

5.8.1.6.2. VA Marine Gunnery Sergeant John David Fry Scholarship

Post-9/11 GI Bill benefits have been extended to children of those who died in the line of duty while serving in the Armed Forces on or after September 11, 2001.¹²⁶³ Eligible children are entitled to 36 months of educational assistance¹²⁶⁴ and have 15 years to use the benefit beginning on their 18th birthday¹²⁶⁵ but cannot participate in the Yellow Ribbon Program.¹²⁶⁶

5.8.1.6.3. ED Iraq and Afghanistan Service Grant or Additional Federal Pell Grant Funds

Children whose parent or guardian died as a result of Armed Forces service in Iraq or Afghanistan after September 11, 2001, may be eligible for additional aid.¹²⁶⁷ To be eligible, at the time of a parent or guardian's death the dependent must have been younger than 24 years old or enrolled at least part-time at an institution of higher education.¹²⁶⁸ If dependents are not eligible for a Pell Grant, they are eligible to receive the Iraq and Afghanistan Service Grant.¹²⁶⁹ The maximum amount of the Iraq and Afghanistan Service Grant is the same as the maximum Pell Grant award.¹²⁷⁰ An Iraq and Afghanistan Service Grant is not treated as estimated financial assistance.¹²⁷¹

¹²⁵⁹ Veterans' Benefits, 38 U.S.C. §§ 3500-3501.

¹²⁶⁰ Veterans' Benefits, 38 U.S.C. § 3511.

¹²⁶¹ Ibid. Department of Veterans Affairs, *Dependent Education Assistance Program Pamphlet*, 12, Accessed June 1, 2014, http://www.benefits.va.gov/gibill/docs/pamphlets/ch35_pamphlet_2.pdf.

¹²⁶² Other training programs rates vary. These rates are available at "Survivors and Dependents, Department of Veterans Affairs, accessed June 1, 2014,

http://www.benefits.va.gov/gibill/resources/benefits_resources/rates/ch35/ch35rates100113.asp.

¹²⁶³ Supplemental Appropriations Act, 2009, Pub. L. No. 111-32, § 1002, 123 Stat. 1859, 1889 (2009).

¹²⁶⁴ Veterans' Benefits, 38 U.S.C. §3312(a).

¹²⁶⁵ Supplemental Appropriations Act, 2009, Pub. L. No. 111-32, § 1002, 123 Stat. 1859, 1889 (2009).

¹²⁶⁶ Department of Veterans Affairs, *Post-9/11 GI Bill: Marine Gunnery Sergeant John David Fry Scholarship*, accessed May 29, 2014, http://www.benefits.va.gov/gibill/docs/factsheets/fry_scholarship.pdf.

¹²⁶⁷ Education, 20 U.S.C. § 1070h.

¹²⁶⁸ Education, 20 U.S.C. § 1070h(a).

¹²⁶⁹ Education, 20 U.S.C. § 1070h(c).

¹²⁷⁰ Education, 20 U.S.C. § 1070h(d)(3).

¹²⁷¹ Education, 20 U.S.C. § 1070h(e).

Beneficiary and Financial Summary

Table 18. Beneficiary and Financial Summary of
VA Education Programs for FY 2013

| Program | Beneficiaries | FY 2013 Cost |
|---|---|--------------------------|
| Tuition Assistance (TA) | Active-duty Armed Forces members, active Reservists, and National Guardsmen, except for National Guard members assigned to the Inactive National Guard. ¹²⁷² | \$536M ¹²⁷³ |
| DoD Voluntary Education Support: Joint Services Transcript and American College of Education College Credit for Military Service Program, Servicemembers Opportunity Colleges Degree Network System, and Examinations Program | Members of the military Services serving on active duty and members of the Selected Reserve (SELRES). ¹²⁷⁴ | \$141M ¹²⁷⁵ |
| Armed Forces College Loan Repayment Program | Offered as a special enlistment incentive to highly qualified armed forces applicants at the time of enlistment. ¹²⁷⁶ | \$166.5M ¹²⁷⁷ |
| In-State Tuition for Members of the Armed Forces on Active Duty and Dependents | Members of the Armed Forces on active duty assigned to a permanent duty station for a period of more than 30 days and their dependents. ¹²⁷⁸ | N/A |
| Cancellation of Federal Student Loan | Armed Forces members in hostile fire or imminent danger pay areas for at least one year. ¹²⁷⁹ | N/A |
| Public Service Loan Forgiveness Program | Members of the Armed Forces employed by the military on a full-time basis for 10 years. ¹²⁸⁰ | N/A |
| Military Service Loan Deferment | Armed Forces members serving on active duty during a war, other military operation, or national emergency, and for six months following demobilization. ¹²⁸¹ | N/A |

¹²⁷² Armed Forces, 10 U.S.C. § 2007. Voluntary Education Programs, DoDI 1322.25 (2014).

¹²⁷³ Data provided by Department of Defense OSD(P&R), e-mail to MCRMC, May 14, 2014.

¹²⁷⁴ Voluntary Education Programs, DoDI 1322.25 (2014).

¹²⁷⁵ Data provided by Department of Defense OSD(P&R), e-mail to MCRMC, May 14, 2014.

¹²⁷⁶ Armed Forces, 10 U.S.C. § 2171. "College Loan Repayment Program (LRP)," My Army Benefits, accessed April 11, 2014,

[http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_\(LRP\).html?serv=147](http://myarmybenefits.us.army.mil/Home/Benefit_Library/Federal_Benefits_/College_Loan_Repayment_Program_(LRP).html?serv=147). See also "Loan Repayment Program Frequently Asked Questions," U.S. Navy Recruiting Command, accessed April 11, 2014, <http://www.cnrc.navy.mil/EIncentives/N5311%20EB/EB/FAQ/LRP%20ADOBE.pdf>.

Voluntary Education Program, AFI 36-2306 (2011).

¹²⁷⁷ U.S. Navy. *Department of the Navy Fiscal Year 2015 Budget Estimates Justification of Estimates March 2014 Military Personnel, Navy*, 90, Accessed June 1, 2014, http://www.finance.hq.navy.mil/FMB/15pres/MPN_BOOK.pdf.

U.S. Navy. *Department of the Navy Fiscal Year 2015 Budget Estimates Justification of Estimates March 2014 Military Personnel, Marine Corps*, 16, Accessed June 1, 2014, http://www.finance.hq.navy.mil/FMB/15pres/MPMC_BOOK.pdf.

Department of the Army, *Fiscal Year (FY) 2015 President's Budget Submission March 2014, Military Personnel Army*, 21, 85, accessed June 1, 2014,

<http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/milpers//mpa.pdf>. Department of the Army, *Fiscal Year (FY) 2015 President's Budget Submission March 2014, Reserve Personnel, Army*, 83, accessed June 1, 2014, <http://asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy15/milpers//rpa.pdf>. Department of the Air Force, *Fiscal Year (FY) 2015 Budget Estimates Military Personnel Appropriation, March, 2014*, 21, accessed June 1, 2014, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-009.pdf>. Air National Guard, *Fiscal Year 2015 Budget Estimates Appropriation 3850 National Guard Personnel, Air Force*, March 2014, 85, <http://www.saffm.hq.af.mil/shared/media/document/AFD-140310-018.pdf>.

¹²⁷⁸ Education, 20 U.S.C. § 1015d.

¹²⁷⁹ Education, 20 U.S.C. § 1087ee(a)(2)(D). See also Schedule for Rating Disabilities, 38 CFR 674.59.

¹²⁸⁰ Education, 20 U.S.C. § 1087(e)(m); 34 CFR 685.219.

¹²⁸¹ Education, 20 U.S.C. § 1078(b)(1)(M).

| Program | Beneficiaries | FY 2013 Cost |
|--|---|-------------------------------------|
| Servicemembers Civil Relief Act (SCRA) Interest Rate Cap (enforced by Department of Justice) | Armed Forces members on active duty. ¹²⁸² | N/A |
| Post-9/11 GI Bill | Active-duty uniformed services members and veterans with an honorable discharge who have at least 90 days of aggregate service after September 10, 2001, or to individuals who have a minimum of 30 continuous days of service discharged due to a service-connected disability. ¹²⁸³ | \$10.2B ¹²⁸⁴ |
| Yellow Ribbon GI Education Enhancement Program | Veterans receiving benefits at the 100 percent benefit rate payable, a transfer-of-entitlement-eligible dependent child, or a transfer-of-entitlement eligible spouse of a veteran. ¹²⁸⁵ | Included in Post-9/11 GI Bill Costs |
| Montgomery GI Bill Active Duty | Members of the Armed Forces who (1) first entered active duty after June 30, 1985, ¹²⁸⁶ (2) members with a remaining entitlement under the Vietnam Era GI Bill, ¹²⁸⁷ (3) members who were involuntarily separated under the Voluntary Separation Incentive or Special Separation Benefit program, ¹²⁸⁸ and (4) former Veterans Educational Assistance Program (VEAP) participants who elected to convert to MGIB during the open window periods. ¹²⁸⁹ | \$775M ¹²⁹⁰ |

¹²⁸² War and National Defense, 50 U.S.C. App. § 527.

¹²⁸³ Veterans' Benefits, 38 U.S.C. § 3311. Schedule for Rating Disabilities, 38 § CFR 21.9500. Schedule for Rating Disabilities, 38 CFR 21.9520. Schedule for Rating Disabilities, 38 § CFR 21.9640.

¹²⁸⁴ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015 Volume III Benefits and Burial Programs and Departmental Administration*, VBA-32, accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

¹²⁸⁵ Veterans' Benefits, 38 U.S.C. § 3317. Schedule for Rating Disabilities, 38 CFR 21.9700(b).

¹²⁸⁶ Veterans' Benefits, 38 U.S.C. § 3011(a)(1).

¹²⁸⁷ Schedule for Rating Disabilities, 38 CFR 21.7045.

¹²⁸⁸ Veterans' Benefits, 38 U.S.C. § 3018A. Veterans' Benefits, 38 U.S.C. § 3018B. Schedule for Rating Disabilities, 38 CFR 21.7045.

¹²⁸⁹ Veterans' Benefits, 38 U.S.C. § 3018C.

¹²⁹⁰ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration*, VBA-32, Veterans/Servicemembers (30), accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

| Program | Beneficiaries | FY 2013 Cost |
|---|---|--|
| Montgomery GI Bill Selected Reserve | The Montgomery GI Bill is also available to members of the Selected Reserve if they meet the eligibility requirements. ¹²⁹¹ This obligation must be signed after June 30, 1985. Other requirements include: <ul style="list-style-type: none"> • completing a two-year obligation as an active-duty Service member • attaining a high school diploma or equivalency certificate • earning an honorable discharge • retiring • transferring to the Ready Reserve • continued active duty • or, Selected Reserve service¹²⁹² If a Selected Reserve member meets these established requirements they are entitled to the same benefits as the Montgomery GI Bill active-duty beneficiaries. ¹²⁹³ | \$153M ¹²⁹⁴ |
| Tuition Assistance Top-Up | Service members approved for Tuition Assistance by a Service and who are eligible for the Montgomery GI Bill for Active Duty or Post-9/11 GI Bill. ¹²⁹⁵ | Included in Post-9/11 and Montgomery GI Bill Costs |
| GI Bill Kicker | Service members eligible for the Post-9/11 GI Bill or the Montgomery GI Bill who the Secretary of a Military Department determines has a skill or specialty for which (1) there is a critical shortage of personnel, (2) there is difficulty recruiting, or, (3) in the case of critical units, there is difficulty retaining personnel. ¹²⁹⁶ | Included in Post-9/11 and Montgomery GI Bill Costs |
| Reserve Education Assistance Program (REAP) | Members of the Reserve Component called or ordered to active duty in response to a war or national emergency (contingency operation) declared by the President or the Congress, who were activated for at least 90 days after September 11, 2001. ¹²⁹⁷ | \$70M ¹²⁹⁸ |

¹²⁹¹ Veterans' Benefits, 38 U.S.C. § 3012.

¹²⁹² Veterans' Benefits, 38 U.S.C. § 3012(a).

¹²⁹³ Ibid.

¹²⁹⁴ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration*, VBA-33, Reservists (1606), accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

¹²⁹⁵ Floyd D. Spence National Defense Authorization Act for FY 2001, §1602(b), 114 Stat. 1654A-1, 1645A-358 (2000).

¹²⁹⁶ Armed Forces, 10 U.S.C. § 16131.

¹²⁹⁷ Armed Forces, 10 U.S.C. § 16163.

¹²⁹⁸ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration*, VBA-33, Reservists (1607), accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

| Program | Beneficiaries | FY 2013 Cost |
|---|---|------------------------|
| Post-Vietnam Era Veterans Educational Assistance Program (VEAP) | Members of the Armed Forces who have initially entered active duty in the Armed Forces on or after January 1, 1977, and before July 1, 1985, and enrolled and contributed before April 1, 1987. ¹²⁹⁹ | \$615K ¹³⁰⁰ |
| Work-Study Program | Participants who are enrolled in VA education, training, or rehabilitation programs at the three-quarter or full-time rate ¹³⁰¹ | \$40M ¹³⁰² |
| Vocational Rehabilitation and Employment (VR&E) | Veteran with a VA service-connected disability rated at least 20 percent with an employment handicap, or a veteran with a service-connected disability rating of 10 percent with a serious employment handicap. ¹³⁰³ | \$940M ¹³⁰⁴ |
| Education and Career Counseling Program | Those who benefit from this program include (1) veterans with service-connected disabilities rated at 20 percent or more, (2) veterans hospitalized or receiving outpatient medical care, services, or treatment for a service-connected disability pending discharge from the active military, and (3) veterans with a service-connected disability rated at 10 percent and determined to have a serious employment handicap are entitled to this program as part of the VA's training and rehabilitation program. ¹³⁰⁵ | N/A |
| Loan Deferments After Active Duty | Activated Service members in the Reserve and National Guard as well as retirees who have been activated. They must be borrowers with a Federal Perkins loan, an NDSL, or a Defense loan and be enrolled in school (or were enrolled in school within the six months preceding activation). | N/A |
| Survivors' and Dependents' Educational Assistance Program (DET) | These include the spouse or child of (1) an armed forces member, or (2) veteran who is permanently and totally disabled due to a service-related condition, or (3) veterans who died while on active duty or as a result of a service-related condition. | \$483M ¹³⁰⁶ |

¹²⁹⁹ Veterans' Benefits, 38 U.S.C. § 3221. The Veterans' Benefits Improvement and Health Care Authorization Act of 1986, Pub. L. No. 99-576, § 309, 100 Stat. 3248, 3270 (1986) terminated new enrollments into VEAP. However, those who were eligible to contribute into VEAP as of July 1, 1985 had until April 1, 1987 to enroll.

¹³⁰⁰ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration*, VBA-66, accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

¹³⁰¹ Veterans' Benefits, 38 U.S.C. § 3485.

¹³⁰² Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration*, VBA-32, accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

¹³⁰³ Veterans' Benefits, 38 U.S.C. § 3102(a).

¹³⁰⁴ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration (Total Obligations: VR&E Program)*, VBA-32, accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

¹³⁰⁵ Veterans' Benefits, 38 U.S.C. § 3102. Schedule for Rating Disabilities, 38 CFR 21.100(a). "Department of Veterans Affairs Education and Vocational Counseling," Department of Veterans Affairs, accessed April 11, 2014, http://www.benefits.va.gov/vocrehab/edu_voc_counseling.asp.

¹³⁰⁶ Department of Veterans Affairs, *Congressional Budget Submission for FY 2015, Volume III Benefits and Burial Programs and Departmental Administration, Dependents' Education and Training (35)*, VBA-33, accessed June 1, 2014, <http://www.va.gov/budget/docs/summary/Fy2015-VolumeIII-BenefitsBurialProgramsAndDeptmentalAdministration.pdf>.

| Program | Beneficiaries | FY 2013 Cost |
|---|--|----------------------------|
| Marine Gunnery Sergeant John David Fry Scholarship | Children of those who died in the line of duty while serving in the Armed Forces on or after September 11, 2001. | Included in Post-9/11 Cost |
| Iraq and Afghanistan Service Grant or Additional Federal Pell Grant Funds | Children whose parent or guardian who died as a result of Armed Forces service in Iraq or Afghanistan after September 11, 2001 may be eligible for additional aid. To be eligible, at the time of a parent's or guardian's death, the dependent must have been less than 24 years old or enrolled at least part-time at a college or career school. If surviving dependents are eligible to receive a Pell Grant, they will also receive an Expected Family Contribution (EFC), a measure of a family's financial strength, of zero, which maximizes Pell Grant eligibility and can increase eligibility for other federal student aid programs. If dependents are not eligible for a Pell Grant, they are eligible to receive the Iraq and Afghanistan Service Grant. ¹³⁰⁷ | N/A |

Historical Context

The War Risk Insurance Act Amendments of 1917 established veteran education and employment benefits for those injured in the line of duty.¹³⁰⁸ This act provided opportunities for veterans to take rehabilitation and vocational training courses and also allowed injured Service members to remain in service while training for new jobs.¹³⁰⁹ Veterans with missing limbs, as well as those with sight, hearing and other permanent disabilities, received the educational benefits.¹³¹⁰ The eligibility date began when the United States entered World War I on April 6, 1917.¹³¹¹

In 1944, the Congress passed the Servicemen's Readjustment Act.¹³¹² This bill provided education and training assistance.¹³¹³ The act also included a payment of up to \$500 annually for tuition, fees, books, and supplies.¹³¹⁴ President Roosevelt signed the bill into law on June 22, 1944.¹³¹⁵ Additionally, passage of the Veterans' Preference Act of 1944 provided veterans with hiring preference when Federal funds were spent.¹³¹⁶

¹³⁰⁷ Education, 20 U.S.C. § 1070h(c).

¹³⁰⁸ War Risk Insurance Act Amendments: Pub. L. No. 65-20, 40 Stat. 102 (1917) and Pub. L. No. 65-90, 40 Stat. 398 (1917) (amending the War Risk Insurance Act, Pub. L. No. 63-193, 38 Stat. 711 (1914)).

¹³⁰⁹ War Risk Insurance Act Amendments, Pub. L. No. 65-90, § 304, 40 Stat. 398, 407 (1917).

¹³¹⁰ Ibid.

¹³¹¹ Ibid.

¹³¹² Servicemens' Readjustment Act of 1944, Pub. L. No. 78-346, 58 Stat. 284 (1944).

¹³¹³ Ibid, ch. IV, 58 Stat. 284, 287 (1944).

¹³¹⁴ Ibid, § 400, 58 Stat. 284, 289 (1944).

¹³¹⁵ Ibid.

¹³¹⁶ Veterans' Preference Act of 1944, Pub. L. No. 78-359, 58 Stat. 387 (1944). "Veteran's Preference in Federal Employment," Catalog of Federal Domestic Assistance, accessed June 1, 2014, <https://www.cfda.gov/index?s=program&mode=form&tab=core&id=b1ff5bf592742fe9e466f2cdd55bcd95>.

The Veterans' Readjustment Assistance Act of 1952 provided benefits for Service members from the Korean War era.¹³¹⁷ The bill provided unemployment insurance, job placement, home loans, and transition benefits.¹³¹⁸

The Veterans' Readjustment Benefits Act (commonly referred to as the Vietnam GI Bill), which provided support for Vietnam veterans, was passed in 1966.¹³¹⁹ Veterans had to serve on active duty for more than 180 consecutive days and were entitled to one month of educational assistance for each month of service.¹³²⁰

The Post-Vietnam Era Veterans' Educational Assistance Act of 1977 provided benefits for those who entered military service after December 31, 1976.¹³²¹ The Emergency Veterans' Job Training Act of 1983 provided support for veterans seeking employment.¹³²² This act reimbursed an employer for training costs not to exceed 50 percent of a veteran's starting wage, up to a maximum of \$10,000.¹³²³ Normal reimbursement time was a period of nine months, and disabled veterans received reimbursement for fifteen months.¹³²⁴ The Veterans' Educational Assistance Act of 1984, commonly known as the Montgomery GI Bill, was passed in 1984.¹³²⁵ A Service member who completed three years of active duty, or two years of active duty and four years in the Reserve, would benefit from \$300 monthly for 36 months.¹³²⁶

The Post-9/11 Veterans' Education Assistance Improvements Act of 2008, which established the Post-9/11 GI Bill, became law on June 30, 2008.¹³²⁷ The Post-9/11 Veterans' Education Assistance Improvements Act of 2010 was enacted in January 2011.¹³²⁸ This act expands eligibility for members of the National Guard, including service under Title 32 or in the full-time Active Guard and Reserve (AGR).¹³²⁹

5.8.2. EXCHANGES

The exchange systems of the U.S. Armed Forces operate thousands of retail activities on military installations in all 50 states, five U.S. territories, and more than 30 countries.¹³³⁰ These activities include hundreds of large retail (department) stores, small convenience stores and mini-marts, military clothing stores, and a variety of

¹³¹⁷ Veterans' Readjustment Assistance Act of 1952, Pub. L. No. 82-550, 66 Stat. 663 (1952).

¹³¹⁸ *Ibid.*

¹³¹⁹ Veterans' Readjustment Benefits Act of 1966, Pub. L. No. 89-358, 80 Stat. 12 (1966).

¹³²⁰ *Ibid.*

¹³²¹ Veterans' Education and Employment Assistance Act of 1976, Pub. L. No. 94-502, 90 Stat. 2383 (1976). "Post-Vietnam Era Veterans' Educational Assistance," Catalog of Federal Domestic Assistance, accessed June 1, 2014, <https://www.cfda.gov/index?s=program&mode=form&tab=core&id=5416942197b7deb937e302a5303b2876>.

¹³²² Emergency Veterans' Job Training Act of 1983, Pub. L. No. 98-77, 97 Stat. 443 (1983).

¹³²³ *Ibid.*

¹³²⁴ *Ibid.*

¹³²⁵ Veterans' Educational Assistance Act of 1984, Pub. L. No. 98-525, Title VII, 98 Stat. 2492, 2553 (1984).

¹³²⁶ *Ibid.*

¹³²⁷ Post-9/11 Veterans Educational Assistance Act of 2008, Pub. L. No. 110-252, § 5001, 122 Stat. 2323, 2357 (2008).

¹³²⁸ Post-9/11 Veterans Educational Assistance Improvements Act of 2010, Pub. L. No. 111-377, § 3, 124 Stat. 4106 (2011).

¹³²⁹ *Ibid.*

¹³³⁰ Army and Air Force Exchange Service, 2012 Annual Report, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, May 5, 2014.

other services and concessions such as automobile garages and service stations, alcoholic beverage stores, barber and beauty shops, restaurants, flower shops, laundries, dry cleaning facilities, tailor shops, theaters, and vending machines.¹³³¹ In addition to those co-located with the main stores in mini-malls and food courts, many smaller retail activities are distributed across installations and military housing areas.¹³³² Supplementing traditional “brick and mortar” stores, the exchanges deliver services via the Internet, and provide a variety of mobile outlets to meet the needs of Service members involved in training exercises and military operations, including those at sea¹³³³ and in combat zones.¹³³⁴

According to 10 U.S.C. § 2481, the purpose of the exchange system is to “enhance the quality of life of members of the uniformed services, retired members, and dependents of such members, and to support military readiness, recruitment, and retention.”¹³³⁵ These goals are accomplished by supplying discounted U.S. goods and services in locations that are convenient to those living or working on or near military installations, including installations overseas. Merchandise is competitively priced as compared to commercial retailers and sales are not subject to state or local sales tax, or Value Added Tax (VAT).¹³³⁶

Unlike the commissaries, the exchange systems have significant flexibility when setting the price of merchandise and are not externally directed to maintain a specific level of discount. In 2012, the Army and Air Force Exchange Service (AAFES) reported that, based on a market basket survey, patrons were saving an average of 27 percent over major retailers, and more than 5 percent compared to its largest discount competitor.¹³³⁷ This survey did not factor in the difference attributable to sales tax, which can provide exchange patrons an additional discount.¹³³⁸ Similarly, in FY 2013, a market basket survey that included approximately 385 items in 8 geographically dispersed markets (i.e., Bethesda, Everett, Great Lakes, Jacksonville, Norfolk, Pearl Harbor, Pensacola, and San Diego), estimated an average savings of 21.73 percent for Navy Exchange (NEX) shoppers.¹³³⁹

AAFES, the largest of the exchange organizations, operates exchanges on Army and Air Force installations.¹³⁴⁰ The Army Post Exchange (PX) and Air Force Base

¹³³¹ Armed Services Exchange Regulations, DoDI 1330.21 (2005).

¹³³² Army Air Force Exchange Service, *AAFES 2012 Annual Report*, 2, accessed May 8, 2014, <http://www.shopmyexchange.com/AboutExchange/PublicAffairs/>. See also Armed Services Exchange Regulations, DoDI 1330.21, 2 (2005).

¹³³³ “Who We Are,” Navy Exchange, accessed February 19, 2014, https://www.mynavyexchange.com/work4us/who_we_are.html.

¹³³⁴ “Military Exercises & Contingencies,” Exchange, accessed February 19, 2014, <http://www.shopmyexchange.com/aboutexchange/installations.htm/>.

¹³³⁵ Armed Forces, 10 U.S.C. § 2481(b).

¹³³⁶ Armed Services Exchange Policy, DoDI 1330.09, Section 4.17 (2005). It should be noted, however, that pursuant to 4 U.S.C. § 104, Congress specifically permits the collection of State taxes on gasoline and other fuels sold through Exchanges on United States military or other reservations when such fuels are not for the exclusive use of the United States.

¹³³⁷ Army Air Force Exchange Service, *AAFES Media Advisory 12-059, Don’t Shop ‘til you Drop – Survey Says Make the Exchange your First Stop!*, October 10, 2012, accessed May 7, 2014, <http://publicaffairs-sme.com/pressrelease/?p=1000>. (According to AAFES, the market basket survey was conducted by an independent consulting firm, RetailData. It included 365 commonly purchased items. Local and national prices were analyzed at more than 120 retailers, including major grocery, drug, discount, big box and specialty stores.)

¹³³⁸ Ibid.

¹³³⁹ NEXCOM Fall 2013 Savings by Market report, survey conducted by RetailData, LLC, December 19, 2013, e-mail to MCRMC, May 21, 2014.

¹³⁴⁰ Army and Air Force Exchange Service Operations, AR 215-8 and AFI 34-211(I) (2012).

Exchange (BX), have been combined and rebranded as the Exchange. On Navy bases, they are known as the Navy Exchange (NEX), and are operated by the Navy Exchange Service Command (NEXCOM).¹³⁴¹ On Marine Corps installations, the Marine Corps Exchange (MCX) is operated as part of Marine Corps Community Services (MCCS), which also runs the Marine Morale, Welfare, and Recreation (MWR) operations.¹³⁴² Similarly, the Coast Guard Exchange Service (CGES), which operates Coast Guard exchanges (CGX) on Coast Guard installations, is part of the Coast Guard Community Services Command (CSC).¹³⁴³

The Department of Veterans Affairs (VA) operates a separate retail system known as the Veteran Canteen Service (VCS).¹³⁴⁴ VCS provides retail and food services as part of the VA Health Care system to benefit veterans receiving care, their families, caregivers, VA employees, volunteers, and visitors.¹³⁴⁵

Table 19 summarizes the number of main retail stores operated by each organization, inside and outside of the continental United States.¹³⁴⁶

Table 19. Number of Exchange Main Stores (FY 2012)

| | CONUS | OCNUS | Total |
|--------------|------------|------------|------------|
| AAFES | 116 | 59 | 175 |
| NEXCOM | 73 | 32 | 105 |
| MCCS | 15 | 3 | 18 |
| CGES | 63 | 5 | 68 |
| VCS | 172 | 2 | 174 |
| Total | 439 | 101 | 540 |

Though managed as separate organizations, senior representatives of the various Armed Forces exchanges, along with representatives of the DeCA, meet at least quarterly as members of the Cooperative Efforts Board (CEB).¹³⁴⁷ The CEB “is a strategic planning and action committee that leads the DoD Military Resale Agencies’ efforts to develop proposals to improve the efficiency and effectiveness across resale organizations.”¹³⁴⁸

Collectively, the Armed Forces exchanges directly employ more than 60,000 people, approximately one quarter of whom are military spouses and other military family members.¹³⁴⁹ Unlike the commissaries, which are staffed by U.S. Government civil

¹³⁴¹ Responsibility and Authority for Navy Exchange Operations, OPNAVINST 5450.331A (2008).

¹³⁴² MCCS Policy Manual, MCO P1700.27B, ¶ 1001 (2007).

¹³⁴³ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, 1-7 (2010).

¹³⁴⁴ Veterans’ Benefits, 38 U.S.C. § 7801.

¹³⁴⁵ Ibid.

¹³⁴⁶ Army and Air Force Exchange Service, 2012 Annual Report, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), e-mail to MCRMC, May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, e-mail to MCRMC, May 5, 2014.

¹³⁴⁷ Cooperative Efforts Board Guiding Charter, March 28, 2012, provided by Navy Exchange Service Command, e-mail to MCRMC, May 21, 2014.

¹³⁴⁸ Ibid.

¹³⁴⁹ Army and Air Force Exchange Service, 2012 Annual Report, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012, accessed June

servants, the exchanges are primarily staffed by NAF employees, for whom most costs (e.g., salaries, benefits, retirement) are covered by exchange revenue. Active-duty military personnel are assigned in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements and to perform some managerial functions.¹³⁵⁰ For example, AAFES, an organization with more than 43,000 civilian employees, has 72 authorized military positions.¹³⁵¹

In some cases, exchanges are managed together with other related organizations and functions. In addition to overseeing the Navy Exchange (NEX), the Navy Exchange Service Command (NEXCOM) manages the Ships Stores Program, Uniform Program Management Office, Navy Clothing and Textile Research Facility (NCTRF), Navy Lodge Program (for permanent change of station lodging) and Telecommunications Program Office.¹³⁵² Similarly, AAFES manages the military clothing sales stores (MCSS). The Army and Air Force reimburse AAFES for all costs associated with the MCSS using appropriated funds.¹³⁵³ The Semper Fit and Exchange Services Division (MR) and the Marine and Family Services Programs Division (MFS) are both managed under the Marine Corps Community Services (MCCS), enabling a sharing of support services and close coordination between the MCX and the MWR system that MCX distributions partially fund.¹³⁵⁴ The Coast Guard also manages exchanges and MWR functions together under the Community Services Command (CSC).¹³⁵⁵

AAFES offers the Military Star Card™ as part of a cooperative effort between the exchange services. This credit card is tailored to Service members and their families, is accepted at all the Armed Forces exchanges, and includes features such as reduced interest rates during military deployments.¹³⁵⁶ The Military Star Card™ is an internal (private label) credit card managed by AAFES and thus no processing fees are paid to private credit card companies.¹³⁵⁷ Although managed by AAFES, income received from this card may be distributed to the other exchange systems (i.e., NEX, MCX, CGX).¹³⁵⁸ Each exchange receives the interest income generated from the accounts receivable balance of its respective Service members, less operating expenses of the Military Star Card™ program.¹³⁵⁹

8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, May 5, 2014.

¹³⁵⁰ Armed Services Exchange Regulations, DoDI 1330.21, 35 (2005).

¹³⁵¹ "Leadership," Army and Air Force Exchange Service, accessed May 16, 2014, <http://www.shopmyexchange.com/AboutExchange/Leadership/>.

¹³⁵² Navy Exchange Service, *Navy Exchange Service Command 2011 Annual Report*, 2, accessed May 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report11.pdf. See also "Our Team," Navy Exchange Service Command (NEXCOM), accessed April 29, 2014, https://www.navyexchange.com/navsup/ourteam/nexcom/about_us.

¹³⁵³ Morale, Welfare, and Recreation, Army and Air Force Exchange Service Operations, AR 215-8/AFI 34-211(I), 17 (2012).

¹³⁵⁴ MCCS Policy Manual, MCO P1700.27B (2007).

¹³⁵⁵ Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13C, 1-7 (2010).

¹³⁵⁶ "Exchange Credit," AAFES Exchange, accessed February 19, 2014, <http://www.shopmyexchange.com/ExchangeCredit/>. See also "Military Star Card," AAFES Exchange, accessed May 8, 2014, <http://www.mymcx.com/index.cfm/services/star-card/starcard/>.

¹³⁵⁷ "Military Star Card," Marine Corps Exchange, accessed May 8, 2014, <http://www.mymcx.com/index.cfm/services/star-card/>.

¹³⁵⁸ Data provided by Navy Exchange Command (NEXCOM), e-mail to MCRMC, May 16, 2014.

¹³⁵⁹ Ibid.

In addition to contributing to MWR programs, military exchanges support various DoD policies, initiatives, and goals. For example, exchanges support DoD health and fitness initiatives with their pricing, placement, display, and advertising of tobacco and smoking cessation products.¹³⁶⁰ Alcohol pricing and displays are also aligned with DoD efforts to prevent alcohol abuse.¹³⁶¹ Additionally, exchange supplies and distribution systems sometimes play an important role in DoD responses to natural disasters in the United States and abroad.¹³⁶² Exchange programs also currently support wounded warrior programs,¹³⁶³ motorcycle safety initiatives,¹³⁶⁴ and the use of alternative fuels.¹³⁶⁵

Overseas exchanges provide additional services and benefits including the following:

- For U.S. military and government personnel assigned overseas, the exchange is a source for U.S. retail merchandise that may not be locally available (e.g., clothing, music, books, and magazines).
- Overseas exchanges supply gasoline at prices approximating those in the United States.¹³⁶⁶
- AAFES and NEXCOM contract directly with select American automobile manufacturers and motorcycle manufacturers to sell their vehicles in overseas exchanges.¹³⁶⁷
- Overseas exchanges provide lunches to Department of Defense Dependents Schools (DoDDS).¹³⁶⁸ Approximately 4 million lunches were provided in FY 2013.¹³⁶⁹

The exchanges have expanded their service delivery model to better serve eligible patrons who may not have convenient access to traditional exchange facilities. These expanded offerings include online shopping and a variety of small and portable retail options, some of which can be deployed to disaster and combat zones.

AAFES, NEX, and CGX offer an online shopping alternative accessible from any location via the Internet.¹³⁷⁰ The MCX is currently partnered with AAFES to provide this service to Marines and their families.¹³⁷¹ Purchases made online are tax free and can often times qualify for free shipping.¹³⁷²

¹³⁶⁰ Armed Services Exchange Services, DoDI 1330.21, ¶ 6.4.3 (2005).

¹³⁶¹ Ibid, ¶ E5.2.

¹³⁶² Navy Exchange, *Navy Exchange Service Command 2011 Annual Report*, 2, accessed May 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report11.pdf.

¹³⁶³ Army Air Force Exchange Service, *AAFES 2012 Annual Report*, 9, accessed May 8, 2014, <http://www.shopmyexchange.com/AboutExchange/PublicAffairs/>.

¹³⁶⁴ "Motorcycle Safety," AAFES Exchange, accessed February 26, 2014, http://shop.aafes.com/shop/Product.aspx?dept_id=5054&PFID=1_MOTORCYCLE&gid=&AskReturn=search.

¹³⁶⁵ Armed Services Exchange Regulations, DoDI 1330.21, ¶ E3.3.8 (2005).

¹³⁶⁶ Armed Services Exchange Policy, DoDI 1330.09, 7 (2005).

¹³⁶⁷ "About Us," Exchange New Car Sales (ENCS), accessed February 19, 2014, <http://www.encs.com/about-us.aspx?id=145>.

¹³⁶⁸ Army Air Force Exchange Service, *AAFES 2012 Annual Report*, 12, accessed May 8, 2014, <http://www.shopmyexchange.com/AboutExchange/PublicAffairs/>.

¹³⁶⁹ Army Air Force Exchange Service, *AAFES 2013 Annual Report*, 12, provided by AAFES to MCRMC, June 10, 2014.

¹³⁷⁰ See generally the following websites: Army Air Force Exchange Service, <http://www.shopmyexchange.com>; Navy Exchange, <https://www.mynavyexchange.com>; Coast Guard Exchange Service, <http://www.cg-exchange.com>.

¹³⁷¹ See generally Marine Corps Exchange Website, <http://mymcx.com/index.cfm/myshopping/>.

¹³⁷² "Understanding and Using Your Military Exchange," Military OneSource, accessed June 1, 2014, http://www.militaryonesource.mil/phases-new-to-the-military?content_id=268514.

In addition to shore-based facilities, NEXCOM also operates small exchanges, known as “Ships Stores,” primarily onboard seagoing vessels.¹³⁷³ These can include vending, laundry, and barber shop services.¹³⁷⁴ There are approximately 160 Ships Stores operated under NEXCOM’s technical guidance, including three small shore installations.¹³⁷⁵ All Ships Store profits support crew quality of life. Most profits (between 94.5 percent and 99.5 percent depending on number of authorized billets) are retained onboard for the ship’s own MWR Program, with the remainder being distributed to centralized MWR funds.¹³⁷⁶

AAFES offers multiple levels of field support available for military operations, humanitarian or contingency operations, and training exercises worldwide: Army and Air Force Exchange Service Imprest Fund Activities (AIFA or EIFA), Direct Operational Exchanges-Tactical (DOX-T), and Tactical Field Exchanges (TFE).¹³⁷⁷ These are small, mobile alternatives that extend the reach of the military exchanges. The appropriate alternative depends upon the distance to an exchange, as well as the duration and size of the operation to be supported.¹³⁷⁸ Both the AIFA and TFE are operated by Service members from the unit being supported.¹³⁷⁹ AAFES supplies the merchandise, operating procedures, pricing, and other support.¹³⁸⁰ For the TFE and DOX-T alternatives, merchandise is pushed from AAFES distribution centers to the theater of operation using appropriated fund support, as required.¹³⁸¹ The MCX also supports deployed Marines using the DOX-T and TFE models, in cooperation with AAFES.¹³⁸² In addition, the MCX supports mobile Warfighter Express Services (WES) teams providing exchange and other services in the field.¹³⁸³ Other forms of remote support include mobile service or vending machines, group representation (sending a representative of multiple exchange patrons to the nearest exchange outlet), and mail-order or e-commerce arrangements.¹³⁸⁴

Similarly, with the approval of the Commandant of the Coast Guard, satellite and independent exchanges may be operated on select afloat and shore units.¹³⁸⁵ Satellite exchanges have been established on approximately 47 afloat units and some remote shore facilities.¹³⁸⁶ The CGES supplies the merchandise and the working capital for the inventory associated with these operations.¹³⁸⁷ In addition, a Deployable Support

¹³⁷³ “Who We Are,” Navy Exchange, accessed February 19, 2014, https://www.mynavyexchange.com/work4us/who_we_are.html.

¹³⁷⁴ Ibid.

¹³⁷⁵ Ibid.

¹³⁷⁶ Ibid. See also “Ships Store Afloat,” NAVSUP Publication 487, Volume 1, Revision of February 2003 (2003).

¹³⁷⁷ Morale, Welfare, and Recreation, Army and Air Force Exchange Service Operations, AR 215-8/AFI 34-211(I), 5, 16-17 (2012). See also “Military Exercises & Contingencies,” Army Air Force Exchange Service, accessed February 19, 2014, <http://www.shopmyexchange.com/aboutexchange/installations.htm/>. See also “Our Story,” Marine Corps Exchange, accessed May 18, 2014, <http://www.mymcx.com/index.cfm/about/history1/>.

¹³⁷⁸ “Military Exercises and Contingencies,” Army Air Force Exchange Service, accessed June 12, 2014, <http://www.shopmyexchange.com/aboutexchange/installations.htm>.

¹³⁷⁹ Ibid.

¹³⁸⁰ Ibid.

¹³⁸¹ Ibid.

¹³⁸² “Our Story,” Marine Corps Exchange, accessed May 18, 2014, <http://www.mymcx.com/index.cfm/about/history1/>. See also Marine Corps Exchange, *Marine Corps Exchanges – Timeline of Significant Events*, accessed May 19, 2014, http://www.ebmpubs.com/ECN_pdfs/ecn0812_MCX_Timeline.pdf.

¹³⁸³ Ibid.

¹³⁸⁴ Ibid.

¹³⁸⁵ Nonappropriated Fund Instrumentalities (NAFI) Manual, COMDTINST M7010.5B, 2-2 (2008). Additional data provided by Coast Guard Exchange Service (CGES), e-mail to MCRMC, May 19, 2014.

¹³⁸⁶ Ibid.

¹³⁸⁷ Ibid.

Exchanges (DSE) was created to support basic needs of Coast Guard personnel and their families during natural disasters.¹³⁸⁸ In FY 2012, the DSE was instrumental in providing basic exchange support for Coast Guard families impacted by hurricane Sandy in New Jersey.¹³⁸⁹

Beneficiaries

The following groups have unlimited exchange privileges:

- active-duty or Reserve uniformed and retired uniformed personnel
- recipients of the Congressional Medal of Honor
- honorably discharged veterans when hospitalized or certified 100 percent disabled
- military members of foreign nations when on duty with U.S. Military Service
- National Guard not in Federal Service
- Red Cross personnel who are U.S. citizens, assigned outside the United States with the Military Service
- U.S. civilian DoD employees when stationed outside the United States
- U.S. citizen employees of firms under contract to the DoD when employed outside the United States
- Military Transition personnel
- Retired ship's officers and crew members of National Oceanic and Atmospheric Administration (NOAA)
- Ship's officers and crew members of NOAA
- dependent family members of personnel listed above
- contract surgeons
- non-DoD Federal Departments/Agencies as determined by local commanding officer
- dependents of members of the Armed Forces, commissioned officers of the Public Health Service or commissioned officers of the National Oceanic and Atmospheric Administration who have been separated for dependent abuse¹³⁹⁰

The following groups have limited exchange privileges, which generally exclude tobacco products, alcoholic beverages, and military uniforms:

- U.S. Government civilian employees and full-time paid staff of the Red Cross who reside on military installations within the United States or Puerto Rico
- Armed Forces Exchange employees
- DoD civilian employees on evacuation orders
- family members of the personnel mentioned above
- DoD civilians on temporary-duty status when occupying Government quarters in the United States
- civilian employees of the U.S. Government working on, but residing off, military installations are authorized to purchase all food and beverages sold at exchange locations, if consumed on the installation
- Uniformed and nonuniformed personnel working in recognized welfare service organization offices within an Activity of the Military Service are authorized to

¹³⁸⁸ Ibid.

¹³⁸⁹ Ibid.

¹³⁹⁰ Armed Services Exchange Regulations, DoDI 1330.21, Enclosure E6 (2005).

purchase all food and beverages sold at exchange locations, if consumed on the installation

- visitors to military installations are authorized to purchase all food and beverages sold at exchange locations, if consumed on the installation
- contract technical services personnel in travel status
- Service (Army, Navy, Air Force) Academy applicants when occupying Government quarters in the United States
- foreign national active-duty officer and enlisted members, when visiting a U.S. military installation for unofficial business (merchandise is restricted to quantities required for personal use)
- Service members in Civil Air Patrol in travel status and occupying Government quarters on a DoD installation may purchase uniform items when Civil Air Patrol membership card is shown
- Civil Air Patrol Cadets may purchase uniform items when Civil Air Patrol membership card is shown and all food and beverages sold at exchange locations, if consumed on the installation
- members of the Reserve Officer Training Corps and Junior Reserve Officer Training Corps when visiting installations under orders as part of a Service orientation program
- members of the Naval Sea Cadets attending two-week training course, if occupying Government quarters on a military installation
- Coast Guard Auxiliary members
- civilian students and faculty members at Service schools may purchase books, supplies and materials related to the educational process, only at exchange facilities that support the school
- hardship – persons who are “stranded on an installation” may purchase small quantities of gasoline, oil, other automotive items, or items necessary for an individual’s health
- DoD civilian employees using Government-authorized vehicles for official business may purchase gasoline for those vehicles¹³⁹¹

Exchange privileges in overseas areas may be impacted by agreements and treaties with the host country.¹³⁹² Additional details on authorized patrons can be found in DoD Instruction 1330.21, Armed Services Exchange Regulations.¹³⁹³

Historical Context

During the American Revolutionary War, the American Articles of War of 1775 provided for “sutlers” whose mission was to provide for the individual personal needs of Service personnel.¹³⁹⁴ As described on the Military OneSource website:¹³⁹⁵

By 1821, the sutlers were returning part of their profit to the units they served. The Post Fund was created to account for this money and to collect fines levied on Soldiers and the sutlers for various violations of regulations. The Fund was soon being used for varied welfare projects such as relief for widows and orphans, financial assistance for the post school, purchase of

¹³⁹¹ Ibid.

¹³⁹² Armed Services Exchange Regulations, DoDI 1330.21, ¶ 6.5 (2005).

¹³⁹³ Ibid, Enclosure E6.

¹³⁹⁴ “History,” Military OneSource, accessed May 19, 2014, http://www.militaryonesource.mil/search?content_id=267444.

¹³⁹⁵ Ibid.

library books, and maintenance of the post band. Councils administered the Fund and the commanding officer eventually took over the custodians' duties. Congress, in adopting the Regulations of the Army in 1821, provided its first recognition of welfare programs and this new type of fund.

The sutlers eventually brought about their own downfall by charging exorbitant prices, engaging in usurious credit practices, and providing inadequate service. In 1867, Congress authorized the establishment of Post Traders to replace the sutlers. This new cast of merchants represented some improvement, but Traders were not always available at forts or camps in remote locations....The Post Exchange was established with the publication of War Department General Order No. 46, 1895. The Order directed Post Commanders to establish an exchange (general store) at every post where practicable.

In 1932, due to complaints from local civilian businesses about unfair competition, a Special Committee of the House of Representatives conducted the first in-depth congressional examination of post exchange operations. The War Department justified post exchanges by explaining that they were the only means for providing troops with recreational funds. Since Congress did not provide appropriations for recreation, NAF represented a direct savings to the taxpayer and a subsidy to low paid Soldiers, Sailors, and Marines. To mitigate the post exchange competitive advantage, the 1933 War Department Appropriations Act prohibited the use of any appropriations to pay any expense connected with the conduct, operation, or management of any post exchange.

The Army Exchange Service was established in 1941, standardizing post exchange organizations.¹³⁹⁶

In 1942, the Supreme Court ruled (in Standard Oil Company of California versus Johnson) that "[the fact that] the establishment of post exchanges has been in accordance with regulations rather than specific statutory directions does not alter their status, for authorized War Department regulations have the force of law. "Exchanges" are arms of the government...They are integral parts of the War Department, and partake of whatever immunities it may have under the constitution and federal statutes." This ruling established the precedent that NAF activities are an integral part of the federal government with certain legal status and led to the name "nonappropriated fund instrumentality" to describe the legal fiscal entity. This legal status continues to be affirmed in case law and in rulings and opinions of the Comptroller General of the United States.

In 1948, the Army Exchange Service was expanded to become the Army and Air Force Exchange Service.¹³⁹⁷ Regulations evolved to allow the use of APF to fund a limited number of Exchange cost elements.¹³⁹⁸

¹³⁹⁶ Ibid.

¹³⁹⁷ Ibid.

¹³⁹⁸ "History," Military OneSource, accessed May 19, 2014, http://www.militaryonesource.mil/search?content_id=267444. See also Armed Services Exchange Regulations, DoDI 1330.21 (2005).

Onboard ships, retail operations were once called “canteens,” a term thought to have been derived from “Via Quintana,” the Roman street where shops specially catering to soldiers were located.¹³⁹⁹ In the early days of the Navy, common necessities were purchased by the paymaster for resale to the crew at the ship’s canteen. In the early 1800s, the functions of the canteen had gradually been usurped by “bumboaters,” private merchants who rowed out into the harbor to peddle their wares to men on board Navy ships.¹⁴⁰⁰ Sailors would place their money in a pail, lower it over the side and haul back their purchases, but frequently the merchandise was poor, overpriced, and of questionable origin.¹⁴⁰¹

To address concerns with the bumboaters, the Congress established Ships Stores in 1909.¹⁴⁰² In 1923, Ships Service Stores were established by Navy regulations to provide services not offered by Ship Stores, such as laundry, shoe repair, tailors, barbers, and soda fountains.¹⁴⁰³ These operations were supported by unofficial funds obtained by subscriptions among enlisted men and officers, or borrowed from other sources.¹⁴⁰⁴ On April 1, 1946, the U. S. Navy Ship’s Store Office (NSSO) was created to provide efficient control over these services and to put the stores on a self-supporting basis. In 1950, Ships Service Stores became known as Navy Exchanges.¹⁴⁰⁵

The first Marine Corps exchange was established at Marine Barracks, Boston, Massachusetts, in 1897 by Theodore Roosevelt, then the Acting Secretary of the Navy.¹⁴⁰⁶ The Marines opened their first overseas exchange in 1900 in the Philippines and were operating 52 exchanges by 1950.¹⁴⁰⁷ Exchange Marines have been routinely deployed to support combat units since the Vietnam war.¹⁴⁰⁸

Financial Summary

In FY 2012, total exchange revenue (including merchandise sales and other revenues) across the Armed Forces was \$13.4 billion, of which \$13 billion paid operating costs and \$320 million was provided to Morale Welfare and Recreation (MWR) programs.¹⁴⁰⁹ Table 20 provides a summary the generation and use of these nonappropriated funds (NAF).

¹³⁹⁹ “Who We Are,” Navy Exchange, accessed February 19, 2014, https://www.mynavyexchange.com/work4us/who_we_are.htmlhttps://www.mynavyexchange.com/work4us/who_we_are.html

¹⁴⁰⁰ Ibid.

¹⁴⁰¹ Ibid.

¹⁴⁰² Ibid.

¹⁴⁰³ Ibid.

¹⁴⁰⁴ Ibid.

¹⁴⁰⁵ Ibid.

¹⁴⁰⁶ “Our Story,” Marine Corps Exchange, accessed May 18, 2014, <http://www.mymcx.com/index.cfm/about/history1/>.

¹⁴⁰⁷ Ibid.

¹⁴⁰⁸ Ibid.

¹⁴⁰⁹ Army and Air Force Exchange Service, *2012 Annual Report*, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, *Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012*, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, May 5, 2014.

Table 20. NAF Summary of Exchanges (FY 2012)¹⁴¹⁰
(dollars in millions)

| | AAFES | NEX | MCX | CGES | Total |
|--------------------|---------|---------|---------|-------|-----------------|
| Revenue | \$9,163 | \$2,957 | \$1,093 | \$166 | \$13,379 |
| Costs and Expenses | \$8,957 | \$2,892 | \$1,018 | \$162 | \$13,029 |
| Net Earnings | \$206 | \$65 | \$75 | \$4 | \$350 |
| MWR contribution | \$224 | \$43 | \$50 | \$4 | \$320 |

*Note: A portion of the MWR contributions made by each exchange system may be contributed to the MWR system associated with another Military Service. This typically occurs when one exchange system operates exchanges that support an installation managed by a different Military Service.

Exchanges are Non-Appropriated Fund Instrumentalities (NAFIs), covering most costs with the revenues collected from the sale of merchandise (94 percent of revenue), concession fees (2 percent of revenue), credit cards (2 percent of revenue), and other sources (1 percent of revenue).¹⁴¹¹ Merchandise prices are set at levels that recover the cost of goods, cover operating expenses, and generate earnings.¹⁴¹² Earnings are either invested back into the exchange system (e.g., modernization of facilities, improvements to patron services) or are paid as dividends to the MWR programs of the military Services.¹⁴¹³

When setting prices, the exchanges must find an appropriate balance between providing patron savings, covering expenses, and contributing to MWR programs.¹⁴¹⁴ Per the Armed Services Exchange Policy (DoD Instruction 1330.09), “Merchandise and services sold through the Armed Services exchanges, whether by direct or concession sale, should be priced in a substantially uniform manner at the lowest practicable level consistent with the mission to provide authorized patrons with articles and services necessary for their health, comfort, and convenience. The creation of a supplemental source of funding for the military MWR program is to be considered a secondary mission when establishing prices.”¹⁴¹⁵ Although each Military Department establishes their own policies and procedures for setting prices, they are directed to, “achieve maximum pricing commonality among the Armed Services exchanges.”¹⁴¹⁶

For merchandise such as tobacco and distilled spirits, the Armed Services Exchange policy constrains the range of prices that may be set.

Prices of tobacco products sold in military resale outlets in the United States, its territories and possessions, shall be no higher than the most competitive commercial price in the local community and no lower than 5 percent below the most competitive commercial price in the local community. Tobacco shall

¹⁴¹⁰ Ibid.

¹⁴¹¹ Ibid.

¹⁴¹² Armed Services Exchange Regulations, DoDI 1330.21 (2005).

¹⁴¹³ Armed Services Exchange Policy, DoDI 1330.09, 3-4 (2005). See also Army and Air Force Exchange Service, 2012 Annual Report, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, e-mail to MCRMC, May 5, 2014.

¹⁴¹⁴ Armed Services Exchange Policy, DoDI 1330.09, 5-6 (2005).

¹⁴¹⁵ Ibid.

¹⁴¹⁶ Ibid.

not be priced below the cost to the exchange. Prices of tobacco products sold in overseas military retail outlets shall be within the range of prices established for military retail system stores located in the United States....Prices of distilled spirits sold in the United States and the District of Columbia may be discounted no more than 10 percent less than the best local shelf price in Alcohol Beverage Control (ABC) States and 5 percent less than the best local shelf price in non-ABC States....Distilled spirits sold outside the United States and the District of Columbia shall be priced within the range of prices established for Armed Services exchange stores located in the United States unless the same alcoholic beverages are sold locally for less. Those alcoholic beverages may be sold for 10 percent less than the best local shelf price.¹⁴¹⁷

As a NAFI, the exchange systems and their sales are typically exempt from taxes paid by private-sector retailers. Most sales by exchanges are free of State and local sales taxes or value added tax (VAT).¹⁴¹⁸ Significant exceptions include gasoline sales in the United States¹⁴¹⁹ and sales by concessionaires licensed by the exchanges.¹⁴²⁰ Since most military exchanges are located on U.S. military reservations and operated as NAFIs, they do not pay rent, property taxes, or Federal income taxes.¹⁴²¹

Exchanges also receive appropriated funds, which can only be used to fund a limited number of cost elements. In FY 2012, the exchanges of the Armed Forces expended approximately \$512.5 million in APF, as summarized in Table 21.

*Table 21. APF Summary of Armed Forces Exchanges (FY 2012)¹⁴²²
(dollars in millions)*

| Cost Category | APF Cost |
|-----------------------------------|----------------|
| Second Destination Transportation | \$188.2 |
| In Theater Support | \$224.5 |
| Other APF costs | \$99.8 |
| Total | \$512.5 |

The largest category of APF spending in FY 2012 was second destination transportation (SDT). The \$188.2 million paid for transportation of U.S. merchandise to overseas exchanges, supporting consistent pricing for domestic and overseas patrons.¹⁴²³ Another \$224.5 million in APF was used to provide exchange services to Service members deployed to the Middle East, including Operation ENDURING

¹⁴¹⁷ Ibid, 5-6.

¹⁴¹⁸ Armed Services Exchange Regulations, DoDI 1330.21, Section E5.8.2 (2005).

¹⁴¹⁹ The Flag, 4 U.S.C. § 104.

¹⁴²⁰ Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources, DoDI 1015.15, Section 6.16.8, 19 (2007) See also "Retail & General FAQs," Army Air Force Exchange Service, accessed May 9, 2014, <http://www.shopmyexchange.com/exchangestores/faq.htm#13>.

¹⁴²¹ Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources, DoDI 1015.15, Section 6.16.3, 18 (2007).

¹⁴²² Army and Air Force Exchange Service, 2012 Annual Report, 1, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>. Navy Exchange Command, Navy Exchange Program of the Navy Exchange Service Command, Financial Statements, February 2, 2013 and January 28, 2012, accessed June 8, 2014, https://www.mynavyexchange.com/command/about_us/Annual%20Report12.pdf. Coast Guard Exchange data provided by Coast Guard Exchange Service via Office of Budget and Programs (CG-821), May 5, 2014. U.S. Marine Corps Exchange data provided by Deputy Director, Plans, Policy and Analysis NAF Business and Support Services Division (MR) HQMC, M&RA, May 5, 2014.

¹⁴²³ Ibid.

FREEDOM and U.S. Mission Iraq.¹⁴²⁴ Finally, \$99.8 million in APF¹⁴²⁵ paid for other support services specifically authorized by DoD Instruction 1330.21, such as the costs associated with a limited number of active-duty personnel, human resources office assistance or administration, personnel travel, utilities, communications, equipment, equipment maintenance, supplies, utilities overseas, and other services.¹⁴²⁶

5.8.3. FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE

Family Subsistence Supplemental Allowance (FSSA) is a voluntary benefits program that is “designed to remove the member’s household from eligibility for benefits under the supplemental nutrition assistance program [SNAP].”¹⁴²⁷ SNAP is formerly known as the Food Stamp Program.¹⁴²⁸ FSSA payments reflect “the amount that is required to bring the household income of that Armed Forces Service member to 130 percent of the Federal poverty line,”¹⁴²⁹ but they are currently capped at \$1,100 per month.¹⁴³⁰ As a voluntary program, Service members must apply to receive the allowance.¹⁴³¹ The determination of eligibility involves an evaluation of household income level and household size.¹⁴³² In addition, at least one person in the household must be a military dependent.¹⁴³³

Beneficiaries

Members of the Military Services may participate in the FSSA program if they are serving on active duty, including Reserve Component members on active-duty orders,¹⁴³⁴ and receiving full or partial basic allowance for subsistence (BAS).¹⁴³⁵ “Eligibility is based on the household size and income of a Service member.”¹⁴³⁶ In addition, “At least one person in the household of a Service member must be a military dependent for that Service member to be eligible for the FSSA Program.”¹⁴³⁷ Even if otherwise eligible, “When a Service member is in a non-pay status for any reason, the Service member is not eligible for the FSSA during that non-pay period.”¹⁴³⁸

Certain portions of a Service Member’s military income are included as a contribution to household income:¹⁴³⁹ basic pay, BAS, basic allowance for housing (or cash equivalent for those who are living in Government-provided housing), overseas housing allowance (OHA), all bonuses, and some special and incentive pays.¹⁴⁴⁰ The excluded special and incentive pays are Hostile Fire/Imminent Danger Pay, Continental United States (CONUS) Cost of Living Allowance (COLA), overseas COLA,

¹⁴²⁴ Army and Air Force Exchange Service, 2012 Annual Report, 23, accessed June 8, 2014, <http://aafes.imirus.com/Mpowered/book/vaar12/i1/1>.

¹⁴²⁵ Based on both actual costs and estimated engineering costs as recorded in FY 2012 exchange financial reports.

¹⁴²⁶ Armed Services Exchange Regulations, DoDI 1330.21, Enclosure 9, 36-39 (2005).

¹⁴²⁷ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402a(a)(1).

¹⁴²⁸ “Supplemental Nutrition Assistance Program (SNAP), A Short History of SNAP,” Department of Agriculture,” accessed May 1, 2014, <http://www.fns.usda.gov/snap/short-history-snap>.

¹⁴²⁹ Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 6.2.2, 3 (2008).

¹⁴³⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402a.

¹⁴³¹ Ibid.

¹⁴³² Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 4, 2 (2008).

¹⁴³³ Ibid, section 6.1.3, 3.

¹⁴³⁴ Ibid, section 1, 1.

¹⁴³⁵ Ibid, section 6.1.1, 3.

¹⁴³⁶ Ibid, section 6.1.2, 3.

¹⁴³⁷ Ibid, section 6.1.3, 3.

¹⁴³⁸ Ibid, section 6.1.5, 3.

¹⁴³⁹ Ibid, section E2.4.1, 11.

¹⁴⁴⁰ Ibid, section E2.3.1, 10.

Family Separation Allowance, all travel- and transportation-related allowances and entitlements, and clothing allowances.¹⁴⁴¹

“The FSSA income may affect participation of the household in certain programs for which eligibility is based on income, such as subsidized school lunch programs, the Women, Infant, and Children Program, day care programs, and earned income tax credit (EITC).”¹⁴⁴² “If the Service member participates in the USDA Food Stamp Program, the FSSA income shall be reported to the USDA Food Stamp Program Office.”¹⁴⁴³ Receipt of an FSSA payment may either render the household of a Service member ineligible for food stamps or may reduce the amount of the food stamp benefit.”¹⁴⁴⁴ If a child or spouse is eligible for the benefits listed below, ignoring FSSA, he or she maintains eligibility despite an increase in household income attributable to FSSA:

- assistance provided under the Richard B. Russell National School Lunch Act (42 U.S.C. § 1751 *et seq.*) (2014)
- assistance provided under the Child Nutrition Act of 1966 (42 U.S.C. § 1771 *et seq.*) (2014)
- a service provided under the Head Start Act (42 U.S.C. § 9831 *et seq.*) (2014)
- assistance under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. § 9858 *et seq.*) (2014)¹⁴⁴⁵

FSSA requires an annual re-certification.¹⁴⁴⁶ In addition, recipients of FSSA are responsible for reporting to their certifying officials changes which may affect their eligibility and/or the amount of FSSA they receive. These changes include salary changes of \$100 or more,¹⁴⁴⁷ any decrease in the size of the household,¹⁴⁴⁸ transfer of the member through a permanent change of station,¹⁴⁴⁹ and promotion.¹⁴⁵⁰

Historical Context

In the 1990s and early 2000, there were multiple reports in the press citing the number of military families receiving food stamps.¹⁴⁵¹ The Congress enacted the FY 2001 National Defense Authorization Act, creating the FSSA, “to remove the

¹⁴⁴¹ Ibid, section E.2.4.2, 11.

¹⁴⁴² Ibid, section 6.4.4.2.5.

¹⁴⁴³ Ibid, section 6.4.4.3.5.

¹⁴⁴⁴ Ibid.

¹⁴⁴⁵ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402a(f).

¹⁴⁴⁶ Ibid. Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 6.5.1.5, 6 (2008).

¹⁴⁴⁷ Ibid. Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 6.4.4.1.5 (2008).

¹⁴⁴⁸ Ibid.

¹⁴⁴⁹ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402a(d)(3). Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 6.5.1.4 (2008).

¹⁴⁵⁰ Pay and Allowances of the Uniformed Services, 37 U.S.C. § 402a(d)(2). Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, section 6.5.1.3 (2008).

¹⁴⁵¹ Examples include: “Thousands of American soldiers serving in the world’s most powerful armed forces are so poorly paid they are having to depend on charity to provide their families with basic household necessities,” David Wastell, “U.S. Soldiers Rely on Charity to Support Families,” *London Sunday Telegraph*, October 31, 1999. Other recent articles are Ceci Connolly, “Battle for Veterans’ Vote Heats Up,” *The Washington Post*, September 9, 1999; Steve Vogel, “Feeling the Pinch of a Military Salary,” *The Washington Post*, July 20, 1999. Older examples include Tom Bowman, “Little Appetite for Food Stamps,” *Baltimore Sun*, September 8, 1998; Rick Maze, “Senator: Get Military Families Off Food Stamps,” *Army Times*, August 24, 1998; Chuck Vinch, “Military Points to Families,” *European Stars and Stripes*, January 17, 1997; Rick Maze, “Senate Orders Study on Food Stamp Use,” *Navy Times*, August 22, 1994; and Soraya Nelson, “Food Stamp Redemption Hits High,” *Air Force Times*, April 5, 1993.

member's household from eligibility for benefits under the food stamp program," with an initial cap of \$500 per month.¹⁴⁵²

Financial Summary

A summary of recipients of FSSA for calendar year (CY) 2012 is provided in Table 22.¹⁴⁵³

Table 22. Summary of FSSA Recipients

| CY2012 | Army | Navy | Air Force | Marine Corps | USCG | Total Recipients | Total Payments |
|--------------|------------|----------|-----------|--------------|----------|------------------|--------------------|
| Enlisted | 403 | 2 | 6 | 0 | 0 | 411 | \$1,462,781 |
| Officers | 8 | 1 | 1 | 0 | 0 | 10 | \$21,391 |
| Total | 411 | 3 | 7 | 0 | 0 | 421 | \$1,484,172 |

"If a Service member is eligible for the FSSA for less than 1 month, the payment shall be prorated for the number of days eligible during the month at a rate of one-thirtieth of 1 month of FSSA for each eligible day served."¹⁴⁵⁴

5.8.4. TRANSITION ASSISTANCE

There are multiple programs and services available to Service members and their families as they transition from military to civilian life. These include the Transition Assistance Program (TAP), the Troops to Teachers Program, and the Armed Forces Retirement Home.

5.8.4.1. TRANSITION ASSISTANCE PROGRAM

Each Service manages a separate transition assistance program: Army Career and Alumni Program (ACAP),¹⁴⁵⁵ Marine Corps Transition Readiness Seminar,¹⁴⁵⁶ Navy Transition Assistance Management Program,¹⁴⁵⁷ Air Force Transition Assistance Program,¹⁴⁵⁸ and Coast Guard Transition Assistance Program.¹⁴⁵⁹ Although job counseling has been provided for years,¹⁴⁶⁰ in 2012, the Transition Goals, Plans, and Success (Transition GPS) program was established to expand and improve the assistance being provided to separating Service members and their families.¹⁴⁶¹ Transition GPS involves multiple federal agencies and implements a variety

¹⁴⁵² The Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, 114 Stat. 1654 § 604. (2000).

¹⁴⁵³ All data supplied by the Director of Military Compensation, Office of Personnel and Readiness, e-mail to MCRMC, December 5, 2013.

¹⁴⁵⁴ Family Subsistence Supplemental Allowance (FSSA) Program, DoDI 1341.11, 3 (2008).

¹⁴⁵⁵ Army Community Service Center, AR 608-1 (2013).

¹⁴⁵⁶ Update for Implementation of the Marine Corps Transition Readiness Seminar, Date Signed: 12/21/2012 MARADMINS Active Number: 734/12.

¹⁴⁵⁷ Transition Assistance Management Program (TAMP), OPNAVINST 1900.2B (2007).

¹⁴⁵⁸ Airman and Family Readiness Centers, AFI 36-3009, 14 (2013).

¹⁴⁵⁹ Transition Assistance Program, COMDTINST 1900.2A (2003).

¹⁴⁶⁰ Veterans' Benefits, 38 U.S.C. Chapter 41 (2003).

¹⁴⁶¹ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007 (2014).

of laws, including the Veterans Opportunity to Work (VOW) to Hire Heroes Act of 2011.¹⁴⁶²

On January 31, 2013, seven executive branch agencies entered into a Memorandum of Understanding regarding the parties' collaboration on the redesigned Transition Assistance Program (TAP) for Separating Service Members.¹⁴⁶³ DoD, in partnership with the Department of Labor (DOL), the Department of Veterans Affairs (VA), and the Small Business Administration (SBA), deliver Transition GPS services through a series of coordinated workshops and briefings, incorporated into the transition programs managed by each Service.¹⁴⁶⁴ This coordinated effort includes pre-separation counseling, the Transition GPS Core Curriculum, Transition GPS Tracks, and a CAPSTONE event that verifies "a viable plan for transition."¹⁴⁶⁵ The guidelines for cooperation between these organizations are formally documented in a memorandum of understanding (MOU).¹⁴⁶⁶ Pursuant to 10 U.S.C. § 1144, all eligible separating Service members are required to participate in TAP."¹⁴⁶⁷

Preseparation Counseling

Separating Service members receive individual counseling to discuss their career goals and to formally start their transition process.¹⁴⁶⁸ Members are subsequently provided a needs and goals assessment coupled with counseling sessions covering benefits, resources, and available assistance across a wide scope of military separation topics. Service members develop an Individual Transition Plan (ITP) that documents their personal transition and the specific accomplishments they must complete to meet Career Readiness Standards (CRS).¹⁴⁶⁹ The Career Readiness Standards include the Common Readiness Standards and either the Employment Readiness Standards (for those initially seeking employment) or Education and Technical Training Standards (for those initially seeking additional education or technical training).¹⁴⁷⁰

Transition GPS Core Curriculum

The Transition GPS Core Curriculum is a series of seminars and workshops, currently provided over 40 hours, in a classroom setting, in a single week. The portion delivered by DoD covers a Transition Overview, Military Occupational Code (MOC) Crosswalk (to translate military skills, training, and experience into civilian occupations, credentials, and employment), and Personal Financial Planning.¹⁴⁷¹ The VA provides Benefits Briefings that include information on education, health care, compensation, life

¹⁴⁶² VOW to Hire Heroes Act of 2011, L. 112-56, §§201-265, 125 Stat.711 (2011). *See also* Veterans' Benefits, 38 U.S.C. Chapters 41-43.

¹⁴⁶³ Transition Assistance Program for Separating Service Members, (V62-8) MOU (2013). Parties to the MOU are: DoD, DVA, DoL, ED, DHS (USCG), SBA, and OPM. This MOU supersedes the September 19, 2006 TAP MOU.

¹⁴⁶⁴ Transition Assistance Program for Separating Service Members, (V62-8) MOU (2013).

¹⁴⁶⁵ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 5, 6, and 11 (2014).

¹⁴⁶⁶ (Transition Assistance Program for Separating Service Members, (V62-8) MOU (2013). *See also* Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 5-6 (2014).

¹⁴⁶⁷ Armed Forces, 10 U.S.C. §1144. *See also* Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members Directive-type Memorandum (DTM) 12-007 (2014).

¹⁴⁶⁸ Armed Forces, 10 U.S.C. §§ 1142 1143, 1144.

¹⁴⁶⁹ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007 (2014). *See also* Transition Assistance Program for Separating Service Members, (V62-8) MOU (2013). Parties to the MOU are: DoD, DVA, DoL, ED, DHS (USCG), SBA, and OPM.

¹⁴⁷⁰ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 8-9 (2014).

¹⁴⁷¹ *Ibid*, 9. *See also* Transition Assistance Program for Separating Service Members, (V62-8) MOU 3, 9-11 (2013).

insurance, home loans, as well as Vocational Rehabilitation and Employment (VR&E) benefits information and counseling.¹⁴⁷² DOL runs the Employment Workshop (DOLEW) which includes information on employment and training opportunities, the labor market, resume writing, and job-search strategies.¹⁴⁷³ Service members can also sign up for a DOL Gold Card which provides them access to intensive support services at One Stop Career Centers (a.k.a. American Job Centers) for up to six months after transition.¹⁴⁷⁴

Transition GPS Tracks

In addition to completing the Transition GPS Core Curriculum, transitioning Service members also have the option of participating in a series of two-day tailored tracks. These tracks include an Education track, for those pursuing a higher education degree; a Technical and Skills Training track, for those seeking job-ready skills and industry-recognized credentials in shorter-term training programs; and an Entrepreneurship track administered by SBA called “Boots to Business,” which focuses on the feasibility analysis for business planning for those wanting to start a business.¹⁴⁷⁵

CAPSTONE Event

Before separation from the military, Service members participate in a CAPSTONE event where commanders, or their designees, verify that Service members have met the Career Readiness Standards, and have a viable transition plan.¹⁴⁷⁶ Those who require additional assistance are referred to supplemental training opportunities.¹⁴⁷⁷

The Military Life Cycle Transition Model is being implemented through Transition GPS.¹⁴⁷⁸ This model incorporates career readiness and transition preparation into the entire span of a Service member’s career. In the past, transition and preparation for the civilian workforce often occurred late in a Service member’s time in the military. The Military Life Cycle Transition Model provides counseling, assessments, and access

¹⁴⁷² Transition Assistance Program for Separating Service Members, (V62-8) MOU, 12-14 (2013).

¹⁴⁷³ Ibid, 14-16. See also Department of Labor, *Workshop, Participant Guide, Transition from Military to Civilian Workforce, January 2014 edition*, accessed April 6, 2014, http://www.dol.gov/vets/programs/tap/DOLEW-Participant-Guide-January_2014.pdf.

¹⁴⁷⁴ “New Employment Initiatives for Veterans,” Department of Labor, accessed April 6, 2014, <http://www.dol.gov/vets/goldcard.html>.

¹⁴⁷⁵ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 5-6 (2014). Department of Labor, Transition Assistance Program (TAP) Information, April 6, 2014, <http://www.dol.gov/vets/programs/tap/>.

¹⁴⁷⁶ Transition Assistance Program for Separating Service Members, (V62-8) MOU, 4 (2013). Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 8-9 (2014). Department of Labor, Transition Assistance Program (TAP) Information, April 6, 2014, <http://www.dol.gov/vets/programs/tap/>.

¹⁴⁷⁷ Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 10 (2014). Department of Labor, Transition Assistance Program (TAP) Information, April 6, 2014, <http://www.dol.gov/vets/programs/tap/>.

¹⁴⁷⁸ Office of the President, *July 23, 2012 Fact Sheet: President Obama’s Work to Honor our Military Families and Veterans*, accessed June 1, 2014, <http://www.whitehouse.gov/the-press-office/2012/07/23/fact-sheet-president-obama-s-work-honor-our-military-families-and-vetera>. See also Statement of Dr. Susan Kelly, Director, Transition to Veterans Program Office, Office of the Under Secretary of Defense for Personnel and Readiness, before the House Armed Services Committee, Subcommittee on Military Personnel, Hearing on the Transition Assistance Program, April 24, 2013. Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 27 (2014).

to resources to build skills or credentials at earlier stages of a Service member's military tenure.¹⁴⁷⁹ Implementation of this model is in progress.¹⁴⁸⁰

Beneficiaries

Transition services are provided to members of the Military Services who are being separated from active duty and the spouses of such members.¹⁴⁸¹ More specifically, this includes Service members who have completed their first 180 days of active duty, except in the case of a member who is being retired or separated for disability.¹⁴⁸² With limited exceptions, all eligible, separating Service members are required to participate in TAP, and their spouses are encouraged to participate (on a space available basis).¹⁴⁸³

Historical Context

In 1967, in coordination with DoD, VA adopted new outreach measures to disseminate information about benefits to transitioning Service members.¹⁴⁸⁴

In 1990, the Congress authorized the Transition Assistance Program (TAP) to assist separating Service members and their families in their transition to civilian life.¹⁴⁸⁵ Since 2012, DoD and interagency partners have been implementing the redesigned TAP (Transition GPS) based on the mandates and intent of the VOW to Hire Heroes Act of 2011¹⁴⁸⁶ and the recommendations from the Veterans Employment Initiative Taskforce (VEITF).¹⁴⁸⁷

Financial Summary

In FY 2013, spending on TAP included \$123 million by DoD,¹⁴⁸⁸ \$230,000 by Coast Guard,¹⁴⁸⁹ and \$9 million by DOL.¹⁴⁹⁰ The VA costs for TAP redesign and roll out between November 2011 and September 2013 were approximately \$20 million.¹⁴⁹¹ At the end of FY 2012, the Congress authorized the reprogramming of \$650,000 to

¹⁴⁷⁹ Transition Assistance Program for Separating Service Members, (V62-8) MOU (2013). Parties to the MOU are: DoD, DVA, DoL, ED, DHS (USCG), SBA, and OPM. This MOU supersedes the September 19, 2006 TAP MOU.

¹⁴⁸⁰ Statement of Dr. Susan Kelly, Director, Transition to Veterans Program Office, Office of the Under Secretary of Defense for Personnel and Readiness, Before the House Armed Services Committee, Subcommittee on Military Personnel, Hearing on the Transition Assistance Program, April 24, 2013.

¹⁴⁸¹ Armed Forces, 10 U.S.C. § 1144.

¹⁴⁸² Implementation of Mandatory Transition Assistance Program Participation for Eligible Service Members, Directive-type Memorandum (DTM) 12-007, 10 (2014).

¹⁴⁸³ Ibid, 5-7.

¹⁴⁸⁴ Veterans' Readjustment Benefits Act of 1966, Pub. L. No. 89-358, 80 Stat. 12 (1966). See also Department of Veterans Affairs, *VA History in Brief*, 19, accessed June 1, 2014, http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf.

¹⁴⁸⁵ Armed Forces, 10 U.S.C. § 1142.

¹⁴⁸⁶ VOW to Hire Heroes Act of 2011, Pub. L. No. 112-56, §§201-265, 125 Stat. 711 (2011) codified at Armed Forces, 10 U.S.C. §1142-1144. See also Statement of Dr. Susan Kelly, Director, Transition to Veterans Program Office, Office of the Under Secretary of Defense for Personnel and Readiness, before the House Armed Services Committee, Subcommittee on Military Personnel, Hearing on the Transition Assistance Program, April 24, 2013.

¹⁴⁸⁷ Statement of Dr. Susan Kelly, Director, Transition to Veterans Program Office, Office of the Under Secretary of Defense for Personnel and Readiness, Before the House Armed Services Committee, Subcommittee on Military Personnel, Hearing on the Transition Assistance Program, April 24, 2013.

¹⁴⁸⁸ Data provided by DoD Transition to Veterans Program Office, e-mail to MCRMC, March 14, 2014.

¹⁴⁸⁹ Data provided by U.S. Coast Guard, Office of Budget and Programs, e-mail to MCRMC, May 21, 2014.

¹⁴⁹⁰ Department of Labor, *Congressional Budget Justification, Veteran's Employment and Training Service, FY 2014*, VETS-8, accessed June 1, 2014, <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V3-05.pdf>.

¹⁴⁹¹ Data provided by Department of Veterans Affairs, e-mail to MCRMC, March 11, 2014.

support the development and piloting of Boots to Business in FY 2013.¹⁴⁹² This allowed SBA to begin conducting classes in January 2013 (using limited resources).¹⁴⁹³

5.8.4.2. TROOPS TO TEACHERS PROGRAM

The Troops to Teachers (TTT) program provides transitioning Service members with counseling services focused on starting new careers as academic or vocational-technical public school teachers.¹⁴⁹⁴ The program offers two types of participation, funded and unfunded. Financial assistance is available to eligible participants who agree to teach in public school in a high-needs school district for at least three years.¹⁴⁹⁵ The assistance includes up to \$5,000 in stipends to help reimburse the costs associated with becoming a certified teacher, including coursework and other certification requirements.¹⁴⁹⁶ Financial assistance can also include a \$10,000 bonus to teach in a high-needs public school that serves a high percentage of underprivileged students.¹⁴⁹⁷

TTT counselors are assigned to every state to help participants navigate the transition from military service to a career in education.¹⁴⁹⁸ Counseling and assistance services include guidance on teacher certification processes, academic or career technical information on the different pathways to state certification leads on employment opportunities, and information on financial assistance.¹⁴⁹⁹

Beneficiaries

Current and former members of the Military Services who received an honorable discharge are eligible to participate in Troops to Teachers and will receive counseling regarding education and certification requirements, as well as job search assistance.¹⁵⁰⁰ Eligibility for financial assistance is more complicated, incorporating factors such as years of active service and time until retirement or type of non-retirement separation. Additional details can be found in 10 U.S.C. § 1154.¹⁵⁰¹

Historical Context

“The Troops to Teachers program is a federal program that began operations in 1994¹⁵⁰² with two goals: (1) to help military personnel affected by downsizing become teachers and (2) to ease the teacher shortage, especially in math and science and in

¹⁴⁹² Small Business Administration, *FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report*, 81, accessed June 1, 2014, <http://www.sba.gov/content/fiscal-year-2015-congressional-budget-justification-and-fiscal-year-2013-annual-performance-report>.

¹⁴⁹³ Ibid.

¹⁴⁹⁴ Armed Forces, 10 U.S.C. § 1154. Education, 20 U.S.C. § 6671. National Defense, 34 CFR 230. National Defense, 32 CFR 77. See also Voluntary Education Programs, DoDI 1322.25 (2011).

¹⁴⁹⁵ Armed Forces, 10 U.S.C. § 1154.

¹⁴⁹⁶ Ibid.

¹⁴⁹⁷ Ibid. See also Education, 34 CFR 230. National Defense, 32 CFR 77. See also Voluntary Education Programs, DoDI 1322.25 (2011).

¹⁴⁹⁸ “Troops to Teachers,” Defense Activity for Non-Traditional Education Support, accessed April 6, 2014, <http://www.dantes.doded.mil/service-members/troops-to-teachers-faq/index.html>.

¹⁴⁹⁹ “Eligibility,” Defense Activity for Non-Traditional Education Support, April 6, 2014, <http://www.dantes.doded.mil/Programs/TTT.html#Eligibility>.

¹⁵⁰⁰ “The Troops to Teachers Program: ‘Proud to Serve Again,’” Military OneSource, accessed April 6 2014, http://www.militaryonesource.mil/transition?content_id=267436.

¹⁵⁰¹ Armed Forces, 10 U.S.C. § 1154(i).

¹⁵⁰² National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, § 541, 126 Stat. 1632, 1728 (2013).

areas with concentrations of children from low-income families.”¹⁵⁰³ The National Defense Authorization Act for FY 2000 transferred the responsibility for program oversight and funding to the U.S. Department of Education but continued operation by DoD. The National Defense Authorization Act for FY 2013 transferred responsibility back to DoD.¹⁵⁰⁴ More than 20,000 Troops to Teachers participants have attained jobs nationally in public schools through this program.¹⁵⁰⁵

Financial Summary

TTT program funding is limited to \$15 million.¹⁵⁰⁶ In FY 2013, DoD spent \$14 million on the TTT program.¹⁵⁰⁷

5.8.4.3. ARMED FORCES RETIREMENT HOME

The Armed Forces Retirement Home (AFRH) provides retired enlisted men and women a retirement center with two campuses, one located in Gulfport, Mississippi and the other in Washington, D.C.¹⁵⁰⁸ AFRH provides a continuum of care including outpatient dental and medical services, hospital and long term nursing care, meals, private rooms, and recreational facilities.¹⁵⁰⁹

Beneficiaries

Eligible beneficiaries include:

- enlisted Service members with a minimum of 20 years of service whose age is 60 years or older
- veterans incapable of earning a livelihood because of a service-connected disability incurred in the line of duty
- veterans who served in a War Zone or Hostile Fire Zone and are later found to be incapable of earning a livelihood
- and women veterans who served before July 12, 1948¹⁵¹⁰

More than one thousand men and women, with an average age in the eighties, were residing in these homes in 2012.¹⁵¹¹

Historical Context

The Congress established a home for destitute Navy officers, sailors and Marines in Philadelphia during the War of 1812.¹⁵¹² Forty years later, the Congress established an “asylum” for old and disabled soldiers in Washington, D.C.¹⁵¹³ The U.S. Naval Home eventually moved from Philadelphia to Gulfport, Mississippi and the U.S. Soldiers and

¹⁵⁰³ Government Accountability Office, *Troops to Teachers: Program Helped Address Teacher Shortages*, GAO-01-567 (2001). See also *Troops to Teachers Program*, Armed Forces, 10 U.S.C. § 1154.

¹⁵⁰⁴ National Defense Authorization Act of Fiscal Year 2013, Pub. L. No. 112-239 (2013).

¹⁵⁰⁵ “Troops to Teachers,” Defense Activity for Non-Traditional Education Support, accessed June 1, 2014, <http://troopstoteachers.net/AbouttheProgram/Overview.aspx>.

¹⁵⁰⁶ Armed Forces, 10 U.S.C. § 1154(g).

¹⁵⁰⁷ Data provided by DoD Transition to Veterans Program Office, e-mail to MCRMC, March 14, 2014.

¹⁵⁰⁸ Hospitals and Asylums, 24 U.S.C. § 411.

¹⁵⁰⁹ Hospitals and Asylums, 24 U.S.C. § 412.

¹⁵¹⁰ Ibid.

¹⁵¹¹ Armed Forces Retirement Home, *2012 Annual Report The Armed Forces Retirement Home (AFRH) Advisory Council*, accessed June 1, 2014, https://www.afrh.gov/afrh/about/AFRH_FY12Annual_Report_to_DOD_Final_Feb25.pdf.

¹⁵¹² Armed Forces Retirement Home, *AFRH Fact Sheet: Protecting a Promise. Renewing a Trust*, accessed April 6, 2014, https://www.afrh.gov/afrh/about/master/master_factsheetbackground.pdf.

¹⁵¹³ Ibid.

Airmen's Home remained in Washington, D.C.¹⁵¹⁴ For many years, they operated separately however in 1990, the Congress passed a law combining the operation of the two facilities into the Armed Forces Retirement Home.¹⁵¹⁵

Financial Summary

AFRH is an independent Federal Agency funded by a permanent trust fund and fees from residents.¹⁵¹⁶ Funding is provided through a 50 cent per month payroll deduction of active-duty military personnel, fines and forfeitures imposed through the Uniform Code of Military Justice (UCMJ), and investment income. The home is restricted by law to investments in low yield Treasury bonds.¹⁵¹⁷ Other than these funding sources, AFRH is self-sustaining through fees from residents, which are capped by income.¹⁵¹⁸ It does not receive an annual appropriation from the Congress.¹⁵¹⁹

¹⁵¹⁴ Ibid.

¹⁵¹⁵ Hospitals and Asylums, 24 U.S.C. § 411 (2014). Armed Forces Retirement Home, *AFRH Fact Sheet: Protecting a Promise. Renewing a Trust*, accessed April 6, 2014, https://www.afrh.gov/afrh/about/master/master_factsheetbackground.pdf.

¹⁵¹⁶ Hospitals and Asylums, 24 U.S.C. §§ 414, 419. See also Armed Forces Retirement Home, *AFRH Fact Sheet: Protecting a Promise. Renewing a Trust*, accessed April 6, 2014, https://www.afrh.gov/afrh/about/master/master_factsheetbackground.pdf.

¹⁵¹⁷ Hospitals and Asylums, 24 U.S.C. § 419.

¹⁵¹⁸ Hospitals and Asylums, 24 U.S.C. § 419. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 1007(i). Armed Forces, 10 U.S.C. § 2772. See also Armed Forces Retirement Home, *AFRH Fact Sheet: Protecting a Promise. Renewing a Trust*, accessed April 6, 2014, https://www.afrh.gov/afrh/about/master/master_factsheetbackground.pdf.

¹⁵¹⁹ Armed Forces Retirement Home, *AFRH Fact Sheet: Protecting a Promise. Renewing a Trust*, accessed April 6, 2014, https://www.afrh.gov/afrh/about/master/master_factsheetbackground.pdf. See also Hospitals and Asylums, 24 U.S.C. § 419. Pay and Allowances of the Uniformed Services, 37 U.S.C. § 1007(i). Armed Forces, 10 U.S.C. § 2772.

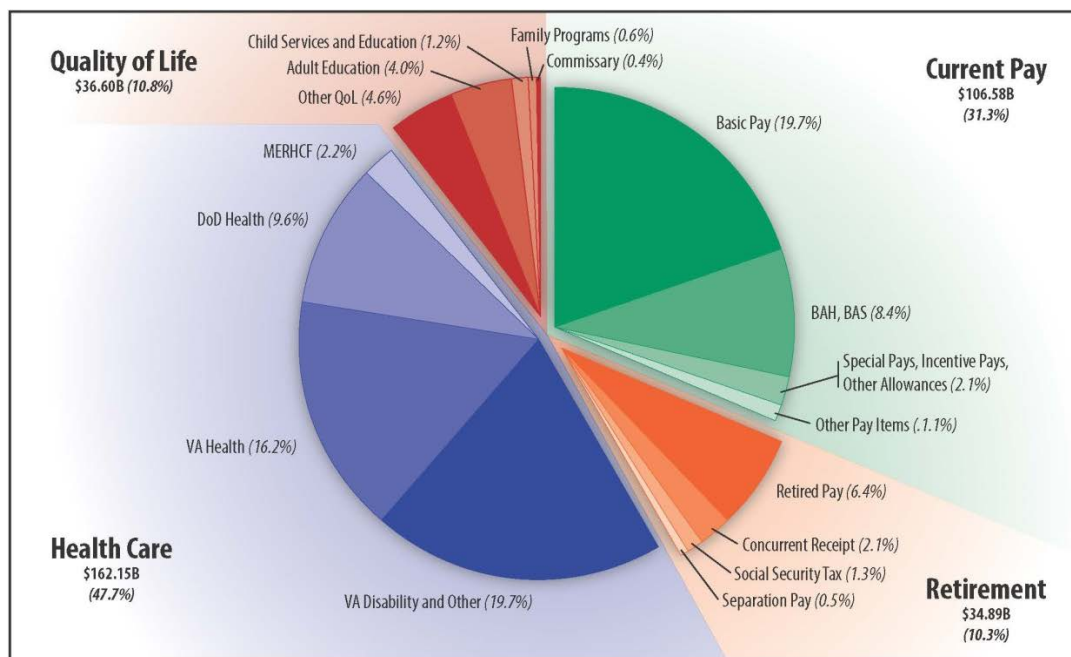
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6. APPROPRIATED COMPENSATION FUNDING

6.1. OVERVIEW

In its enabling legislation, the Commission is tasked to “examine all laws, policies, and practices of the Federal Government that result in any direct payment of authorized or appropriated funds” to Service members, veterans, retirees, and their families.¹ Section 6.2 of this report provides an accounting of such appropriated funds between 1998 and 2014, including all funding for pay and allowances, retirement, health care, and quality of life programs.² As detailed in Sections 6.3 and 6.4, appropriation and end-strength data were extracted from official government budget publications and, in some cases, were obtained from responsible agencies. Section 6.5 contains current basic pay tables.

Figure 23. Uniformed Services’ Compensation Funding, FY 2014³



To ensure a comprehensive review of compensation for the uniformed services, the Commission gathered data from DoD, the U.S. Coast Guard, and the National Oceanic and Atmospheric Administration, as well as the Department of Veterans Affairs, the Department of Labor, the Department of Education, and the Department of the Treasury. Compensation for members of the Public Health Service (PHS) is funded by

¹ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, §§ 671-680, 126 Stat. 1632, 1787-1795 (2013), as amended by National Defense Authorization Act for FY 2014, Pub. L. No. 113-66, § 1095(b) (2013).

² Funding data prior to 1998 were not available from DoD public sources.

³ Appropriated Budget Data, presented in Section 6.2 of this report.

the agencies to which PHS members are assigned,⁴ so this report does not account for appropriated funding for PHS members.

Figure 25 does not include the Federal payments toward unfunded liabilities of the uniformed services' retirement and Medicare-eligible retiree health care programs. In October 1984, DoD began making accrual payments (i.e., "normal cost contributions") to fund the future retirements of military personnel.⁵ Similarly, TRICARE coverage for Medicare-eligible members or former members of the uniformed services began to be accrual funded in October 2002.⁶ Retirement and health care costs associated with military service prior to these dates are not funded by accrual payments and are therefore accounted for as "unfunded liabilities." In FY 2014, unfunded liability payments for retirement and Medicare-eligible retiree health care were \$72.9 billion and \$4.4 billion, respectively.⁷ As of September 30, 2012, the remaining unfunded liabilities were \$933.5 billion⁸ and \$173.1 billion,⁹ respectively.

Appropriated funding for the following programs is not included in Section 6.2 because authoritative funding data was not available for FY 1998 through FY 2014:

- Military Exchanges (e.g., appropriated funding for second destination travel and other programs)
- Transition Assistance Programs
- Casualty Assistance Programs
- Overseas Contingency Operation (OCO) funding for child development, youth, and Morale, Recreation and Welfare (MWR) programs
- Department of Labor: Veterans' Employment and Training Service (VETS)
- Small Business Administration: Office of Veterans Business Development (OVBD)
- the portion of Federal Impact Aid directly attributable to military dependents (note that the DoD contribution to Federal Impact Aid is included)

⁴ USPHS Official, Division of Commissioned Corps Personnel and Readiness (DCCPR), e-mail to MCRMC, March 7, 2014.

⁵ Department of Defense Authorization Act, 1984, Pub. L. No. 98-94, § 925, 97 Stat. 614, 644-648 (1983).

⁶ Floyd D. Spence National Defense Authorization Act for FY 2001, Pub. L. No. 106-398, § 713, 114 Stat. 1654, 1654A-179-1654A-184 (2000).

⁷ Appropriated Budget Data, presented in Section 6.2 of this report.

⁸ DoD Office of the Actuary, Valuation of the Military Retirement System, September 30, 2012.

⁹ DoD Office of the Actuary, Valuation of the Medicare-Eligible Retiree Health Care Fund, September 30, 2012.

6.2. APPROPRIATED BUDGET DATA

Current Pay, Army

| SK | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | | |
| Academy Cadets | \$14,756,764 | \$14,933,760 | \$15,539,421 | \$16,447,812 | \$18,371,989 | \$25,079,400 | \$27,982,560 | \$29,907,960 | \$30,866,075 |
| Allowances | \$37,679 | \$40,684 | \$39,646 | \$41,697 | \$42,889 | \$47,352 | \$49,760 | \$51,510 | \$53,391 |
| Basic Allowance for Housing (BAH) | \$577,794 | \$497,525 | \$527,757 | \$497,180 | \$548,832 | \$1,317,418 | \$1,710,902 | \$1,431,588 | \$1,399,772 |
| Basic Allowance for Subsistence (BAS) | \$1,364,754 | \$1,784,193 | \$1,879,536 | \$2,021,289 | \$2,592,890 | \$3,960,544 | \$4,317,384 | \$5,183,330 | \$5,454,800 |
| Basic Allowance for Quarters | \$335,436 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Allowance for Subsistence (BAS) | \$918,918 | \$918,650 | \$929,594 | \$950,968 | \$863,884 | \$1,127,389 | \$1,284,837 | \$1,493,500 | \$1,300,851 |
| Basic Pay (MILPERS) | \$10,711,333 | \$10,863,615 | \$11,237,143 | \$11,915,261 | \$13,144,151 | \$16,673,848 | \$18,802,474 | \$19,074,726 | \$18,894,000 |
| Incentive Pays | \$131,910 | \$146,637 | \$147,722 | \$145,085 | \$176,438 | \$175,227 | \$195,159 | \$183,696 | \$203,891 |
| Other MilPers Costs (AC) | \$207,156 | \$204,213 | \$134,365 | \$129,315 | \$188,843 | \$220,228 | \$308,418 | \$677,123 | \$1,324,256 |
| Special Compensation for Combat-Rel Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$42,000 | \$0 | \$0 | \$0 |
| Special Pays | \$405,248 | \$478,243 | \$643,658 | \$747,017 | \$814,062 | \$1,515,394 | \$1,313,626 | \$1,812,487 | \$2,235,114 |
| Variable Housing Allowance | \$66,536 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$4,931,998 | \$5,259,975 | \$5,462,126 | \$5,839,249 | \$6,239,313 | \$7,770,204 | \$7,814,156 | \$9,190,413 | \$8,267,273 |
| Basic Allowance for Quarters | \$286,251 | \$450,879 | \$494,596 | \$521,093 | \$576,421 | \$634,856 | \$642,186 | \$1,000,001 | \$969,964 |
| Basic Allowance for Subsistence (BAS) | \$94,145 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$3,298,232 | \$3,555,824 | \$3,611,766 | \$3,811,347 | \$4,112,402 | \$4,050,154 | \$4,115,948 | \$4,445,654 | \$5,670,115 |
| Other MilPers Costs (RC) | \$1,219,563 | \$1,253,272 | \$1,355,764 | \$1,506,809 | \$1,550,490 | \$3,085,194 | \$3,056,022 | \$3,744,758 | \$1,627,194 |
| Variable Housing Allowance | \$33,807 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$19,688,762 | \$20,193,735 | \$21,001,547 | \$22,287,061 | \$24,611,302 | \$32,849,604 | \$35,796,716 | \$39,098,373 | \$39,133,348 |

| SK | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | |
| Academy Cadets | \$31,438,596 | \$33,852,325 | \$37,056,145 | \$38,809,015 | \$38,381,603 | \$37,477,083 | \$36,216,592 | \$34,751,543 |
| Allowances | \$57,318 | \$60,407 | \$68,996 | \$73,317 | \$75,229 | \$76,314 | \$76,482 | \$77,959 |
| Basic Allowance for Housing (BAH) | \$1,457,984 | \$1,478,884 | \$1,448,978 | \$1,464,734 | \$1,506,869 | \$1,349,593 | \$1,352,575 | \$1,266,198 |
| Basic Allowance for Quarters | \$5,777,305 | \$6,410,941 | \$7,454,743 | \$8,052,776 | \$7,989,519 | \$7,954,825 | \$7,824,045 | \$7,671,154 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$1,540,203 | \$1,713,017 | \$1,967,169 | \$2,053,609 | \$2,029,488 | \$2,002,623 | \$1,901,696 | \$1,788,339 |
| Basic Pay (MILPERS) | \$19,007,082 | \$20,287,873 | \$22,241,810 | \$23,443,506 | \$23,642,337 | \$23,298,645 | \$22,627,212 | \$21,915,194 |
| Incentive Pays | \$237,991 | \$300,646 | \$227,500 | \$225,933 | \$206,849 | \$206,100 | \$201,918 | \$194,564 |
| Special Compensation for Combat-Rel Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other MilPers Costs (AC) | \$860,316 | \$760,493 | \$888,568 | \$1,223,302 | \$1,142,455 | \$939,328 | \$818,760 | \$718,317 |
| Special Pays | \$2,500,397 | \$2,840,064 | \$2,758,381 | \$2,271,838 | \$1,788,857 | \$1,649,655 | \$1,413,904 | \$1,119,818 |
| Variable Housing Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$9,545,252 | \$10,629,906 | \$11,336,593 | \$11,773,504 | \$11,600,813 | \$11,193,811 | \$10,279,010 | \$9,845,028 |
| Basic Allowance for Quarters | \$795,768 | \$1,253,552 | \$1,344,615 | \$1,473,990 | \$1,256,546 | \$1,406,329 | \$1,450,768 | \$1,481,859 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$303,991 | \$261,170 | \$291,270 | \$538,030 | \$422,111 |
| Other MilPers Costs (RC) | \$5,658,780 | \$5,812,704 | \$6,170,164 | \$6,571,414 | \$6,653,929 | \$6,735,209 | \$6,872,778 | \$6,676,409 |
| Variable Housing Allowance | \$3,090,704 | \$3,563,650 | \$3,821,814 | \$3,424,109 | \$3,429,168 | \$2,761,003 | \$1,417,434 | \$1,264,649 |
| Grand Total | \$40,983,848 | \$44,482,231 | \$48,392,738 | \$50,582,519 | \$49,982,416 | \$48,670,894 | \$46,495,602 | \$44,596,571 |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Current Pay, Navy

| SK | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | | |
| Allowances | \$12,539,954 | \$12,513,149 | \$13,011,735 | \$13,799,090 | \$15,495,092 | \$17,287,645 | \$17,624,948 | \$18,327,291 | \$19,209,726 |
| Basic Allowance for Housing (BAH) | \$451,565 | \$495,871 | \$464,771 | \$468,503 | \$493,589 | \$669,156 | \$709,394 | \$716,335 | \$670,586 |
| Basic Allowance for Quarters | \$1,505,389 | \$1,898,859 | \$2,022,234 | \$2,255,151 | \$2,749,854 | \$3,208,405 | \$3,469,122 | \$3,883,019 | \$4,320,165 |
| Basic Allowance for Subsistence (BAS) | \$332,822 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$624,677 | \$622,915 | \$632,672 | \$637,634 | \$715,556 | \$739,674 | \$748,546 | \$755,102 | \$765,063 |
| Incentive Pays | \$8,456,854 | \$8,395,795 | \$8,692,783 | \$9,082,552 | \$10,131,504 | \$11,016,858 | \$11,132,561 | \$11,310,849 | \$11,421,791 |
| Midshipmen | \$194,984 | \$204,347 | \$216,518 | \$242,864 | \$261,117 | \$290,913 | \$267,063 | \$280,180 | \$251,090 |
| Other MilPers Costs (AC) | \$35,799 | \$38,786 | \$41,425 | \$42,791 | \$50,490 | \$50,458 | \$54,471 | \$55,651 | \$59,085 |
| Special Compensation for Combat-Rel | \$100,070 | \$99,673 | \$69,922 | \$60,641 | \$78,630 | \$97,596 | \$118,049 | \$157,542 | \$464,624 |
| Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$15,000 | \$0 | \$0 | \$0 |
| Special Pays | \$712,387 | \$756,903 | \$871,410 | \$1,008,954 | \$1,014,352 | \$1,199,585 | \$1,125,742 | \$1,168,613 | \$1,257,322 |
| Variable Housing Allowance | \$125,407 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$1,251,572 | \$1,311,537 | \$1,341,760 | \$1,417,277 | \$1,484,544 | \$1,729,119 | \$1,808,521 | \$1,900,229 | \$1,898,001 |
| Basic Allowance for Quarters | \$91,523 | \$126,651 | \$130,102 | \$141,496 | \$155,136 | \$175,331 | \$179,852 | \$194,981 | \$212,837 |
| Basic Allowance for Subsistence (BAS) | \$24,366 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other MilPers Costs (RC) | \$765,269 | \$780,701 | \$773,481 | \$851,287 | \$866,914 | \$897,024 | \$925,971 | \$937,402 | \$908,523 |
| Variable Housing Allowance | \$363,500 | \$404,185 | \$438,177 | \$424,494 | \$462,494 | \$656,764 | \$702,698 | \$767,846 | \$776,641 |
| Grand Total | \$13,791,526 | \$13,824,686 | \$14,353,495 | \$15,216,367 | \$16,979,636 | \$19,016,764 | \$19,433,469 | \$20,227,520 | \$21,107,727 |
| SK | | | | | | | | | |
| AC | | | | | | | | | |
| Allowances | \$19,099,779 | \$19,564,737 | \$20,330,109 | \$21,012,131 | \$21,125,121 | \$20,908,842 | \$20,773,872 | \$21,366,741 | |
| Basic Allowance for Housing (BAH) | \$652,831 | \$686,893 | \$766,885 | \$750,279 | \$777,236 | \$791,438 | \$744,724 | \$721,398 | |
| Basic Allowance for Quarters | \$4,355,477 | \$4,629,736 | \$4,898,114 | \$5,136,336 | \$5,185,713 | \$5,088,552 | \$5,048,912 | \$5,278,862 | |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Basic Pay (MILPERS) | \$764,739 | \$776,032 | \$841,071 | \$861,062 | \$862,214 | \$882,194 | \$893,981 | \$940,731 | |
| Incentive Pays | \$11,431,798 | \$11,515,273 | \$11,887,951 | \$12,313,895 | \$12,414,864 | \$12,307,619 | \$12,378,040 | \$12,637,979 | |
| Midshipmen | \$251,124 | \$248,476 | \$253,956 | \$246,961 | \$240,303 | \$232,792 | \$226,400 | \$236,010 | |
| Other MilPers Costs (AC) | \$61,035 | \$61,429 | \$70,413 | \$73,431 | \$75,072 | \$77,477 | \$78,648 | \$77,592 | |
| Special Compensation for Combat-Rel | \$276,533 | \$284,151 | \$257,908 | \$337,641 | \$312,709 | \$334,378 | \$280,207 | \$294,857 | |
| Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Special Pays | \$1,306,242 | \$1,362,747 | \$1,353,811 | \$1,292,526 | \$1,257,010 | \$1,194,392 | \$1,122,960 | \$1,179,312 | |
| Variable Housing Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| RC | | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$1,668,254 | \$1,672,257 | \$1,699,576 | \$1,704,291 | \$1,713,678 | \$1,697,696 | \$1,471,009 | \$1,453,945 | |
| Basic Allowance for Quarters | \$219,225 | \$226,344 | \$240,793 | \$243,924 | \$259,350 | \$245,066 | \$243,232 | \$238,127 | |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$54,683 | \$56,984 | \$57,650 | \$59,823 | \$53,825 | |
| Other MilPers Costs (RC) | \$915,467 | \$899,247 | \$919,185 | \$944,934 | \$954,554 | \$952,222 | \$959,225 | \$911,544 | |
| Variable Housing Allowance | \$533,562 | \$546,666 | \$539,598 | \$460,750 | \$442,790 | \$442,758 | \$208,729 | \$250,449 | |
| Grand Total | \$20,768,033 | \$21,236,994 | \$22,029,685 | \$22,716,422 | \$22,838,799 | \$22,606,538 | \$22,244,881 | \$22,820,686 | |

Current Pay, Marine Corps

| SK | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AC | | | | | | | | | |
| Allowances | \$4,349,699 | \$4,516,170 | \$4,750,883 | \$5,053,371 | \$5,570,758 | \$6,743,166 | \$6,833,874 | \$7,489,721 | \$8,003,766 |
| Basic Allowance for Housing (BAH) | \$167,758 | \$166,936 | \$189,979 | \$186,764 | \$201,034 | \$305,884 | \$284,908 | \$311,997 | \$296,618 |
| Basic Allowance for Quarters | \$377,118 | \$525,271 | \$556,244 | \$633,253 | \$753,826 | \$1,015,223 | \$1,115,672 | \$1,249,986 | \$1,379,764 |
| Basic Allowance for Subsistence (BAS) | \$93,810 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$255,322 | \$274,818 | \$272,538 | \$274,195 | \$293,019 | \$364,064 | \$324,107 | \$396,442 | \$419,534 |
| Basic Pay (MILPERS) | \$3,291,005 | \$3,394,391 | \$3,555,107 | \$3,743,313 | \$4,099,266 | \$4,692,155 | \$4,745,536 | \$4,988,574 | \$5,154,095 |
| Incentive Pays | \$41,883 | \$45,212 | \$51,402 | \$54,259 | \$53,919 | \$60,002 | \$48,140 | \$57,104 | \$55,283 |
| Other MilPers Costs (AC) | \$35,829 | \$44,214 | \$28,864 | \$32,474 | \$50,783 | \$69,706 | \$105,363 | \$246,604 | \$439,311 |
| Special Compensation for Combat-Rel Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$3,000 | \$0 | \$0 | \$0 |
| Special Pays | \$55,392 | \$65,328 | \$96,749 | \$129,113 | \$118,911 | \$233,332 | \$210,148 | \$239,014 | \$259,161 |
| Variable Housing Allowance | \$31,582 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$356,623 | \$366,884 | \$378,699 | \$405,463 | \$420,422 | \$472,192 | \$510,678 | \$551,052 | \$468,055 |
| Basic Allowance for Quarters | \$22,879 | \$29,737 | \$28,439 | \$32,738 | \$32,918 | \$35,083 | \$37,322 | \$36,504 | \$40,190 |
| Basic Allowance for Subsistence (BAS) | \$6,981 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$227,779 | \$227,484 | \$221,514 | \$255,429 | \$266,807 | \$226,878 | \$259,200 | \$258,767 | \$290,149 |
| Other MilPers Costs (RC) | \$98,046 | \$109,663 | \$128,746 | \$117,296 | \$120,697 | \$210,231 | \$214,156 | \$255,781 | \$137,716 |
| Variable Housing Allowance | \$938 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$4,706,322 | \$4,883,054 | \$5,129,582 | \$5,458,834 | \$5,991,180 | \$7,215,358 | \$7,344,552 | \$8,040,773 | \$8,471,821 |

| SK | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | |
| Allowances | \$8,355,110 | \$9,277,270 | \$10,148,280 | \$10,357,528 | \$10,504,817 | \$10,451,160 | \$10,107,882 | \$9,975,395 |
| Basic Allowance for Housing (BAH) | \$288,775 | \$353,067 | \$388,565 | \$402,424 | \$430,723 | \$439,276 | \$405,494 | \$390,067 |
| Basic Allowance for Quarters | \$1,542,628 | \$1,807,595 | \$2,044,553 | \$2,206,156 | \$2,282,938 | \$2,252,729 | \$2,144,323 | \$2,184,562 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$415,578 | \$464,444 | \$525,699 | \$543,442 | \$547,646 | \$556,607 | \$524,154 | \$529,037 |
| Basic Pay (MILPERS) | \$5,251,462 | \$5,710,556 | \$6,212,320 | \$6,506,584 | \$6,646,062 | \$6,659,746 | \$6,593,316 | \$6,472,155 |
| Incentive Pays | \$57,145 | \$58,086 | \$61,419 | \$58,964 | \$59,332 | \$56,504 | \$52,773 | \$50,466 |
| Other MilPers Costs (AC) | \$180,240 | \$154,456 | \$167,546 | \$234,517 | \$234,295 | \$233,893 | \$185,958 | \$181,239 |
| Special Compensation for Combat-Rel Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Special Pays | \$619,282 | \$729,066 | \$748,178 | \$405,441 | \$303,821 | \$252,405 | \$201,864 | \$167,869 |
| Variable Housing Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$509,416 | \$536,457 | \$577,831 | \$578,434 | \$578,620 | \$568,042 | \$483,642 | \$464,566 |
| Basic Allowance for Quarters | \$47,434 | \$72,471 | \$64,612 | \$64,792 | \$57,251 | \$54,763 | \$70,133 | \$69,549 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$16,964 | \$17,371 | \$17,221 | \$25,189 | \$29,389 |
| Basic Pay (MILPERS) | \$255,322 | \$281,660 | \$311,195 | \$380,017 | \$352,256 | \$345,105 | \$366,877 | \$350,295 |
| Other MilPers Costs (RC) | \$206,660 | \$182,326 | \$202,024 | \$116,661 | \$151,742 | \$150,953 | \$21,443 | \$15,333 |
| Variable Housing Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$8,864,526 | \$9,813,727 | \$10,726,111 | \$10,935,962 | \$11,083,437 | \$11,019,202 | \$10,591,524 | \$10,439,961 |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Current Pay, Air Force

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | | |
| Academy Cadets | \$12,454,873 | \$12,656,881 | \$13,151,062 | \$13,772,509 | \$16,539,400 | \$18,240,734 | \$18,818,138 | \$19,086,209 | \$19,507,954 |
| Allowances | \$35,662 | \$37,459 | \$39,426 | \$41,182 | \$48,773 | \$49,821 | \$50,362 | \$53,011 | \$57,056 |
| Basic Allowance for Housing (BAH) | \$410,251 | \$414,600 | \$417,365 | \$404,182 | \$435,328 | \$590,508 | \$746,678 | \$810,013 | \$818,699 |
| Basic Allowance for Quarters | \$1,247,626 | \$1,731,786 | \$1,742,161 | \$1,882,513 | \$2,503,673 | \$2,858,486 | \$3,129,028 | \$3,385,462 | \$3,620,536 |
| Basic Allowance for Subsistence (BAS) | \$317,436 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$813,905 | \$821,343 | \$819,012 | \$815,259 | \$949,834 | \$990,185 | \$1,004,853 | \$1,008,118 | \$999,923 |
| Incentive Pays | \$9,000,511 | \$9,040,835 | \$9,303,124 | \$9,724,498 | \$11,609,804 | \$12,529,852 | \$12,697,335 | \$12,711,701 | \$12,685,219 |
| Other MILPERS Costs (AC) | \$200,550 | \$226,591 | \$325,937 | \$316,125 | \$324,236 | \$373,070 | \$422,921 | \$382,485 | \$342,938 |
| Special Compensation for Combat-Rel | \$53,939 | \$41,198 | \$49,226 | \$49,404 | \$70,971 | \$95,334 | \$77,518 | \$126,067 | \$420,478 |
| Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$27,000 | \$0 | \$0 | \$0 |
| Special Pays | \$297,546 | \$340,069 | \$454,811 | \$539,346 | \$596,781 | \$726,478 | \$689,443 | \$608,352 | \$563,105 |
| Variable Housing Allowance | \$77,447 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$2,014,845 | \$2,116,010 | \$2,255,224 | \$2,410,685 | \$2,414,986 | \$2,913,038 | \$3,225,610 | \$3,668,860 | \$3,320,971 |
| Basic Allowance for Quarters | \$122,421 | \$166,021 | \$182,187 | \$191,947 | \$225,205 | \$237,499 | \$260,864 | \$352,215 | \$322,401 |
| Basic Pay (MILPERS) | \$40,808 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Allowance for Subsistence (BAS) | \$1,305,115 | \$1,362,621 | \$1,464,477 | \$1,580,105 | \$1,515,984 | \$1,589,425 | \$1,778,773 | \$1,934,963 | \$2,044,460 |
| Other MILPERS Costs (RC) | \$538,367 | \$587,368 | \$608,560 | \$638,633 | \$673,797 | \$1,086,114 | \$1,185,973 | \$1,381,682 | \$954,110 |
| Variable Housing Allowance | \$8,134 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$14,469,718 | \$14,772,891 | \$15,406,286 | \$16,183,194 | \$18,954,386 | \$21,153,772 | \$22,043,748 | \$22,755,069 | \$22,828,925 |

| \$K | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AC | | | | | | | | |
| Academy Cadets | \$19,597,069 | \$19,723,558 | \$20,646,516 | \$21,771,774 | \$21,927,139 | \$22,067,142 | \$21,983,717 | \$22,041,219 |
| Allowances | \$59,271 | \$62,442 | \$69,057 | \$73,661 | \$74,765 | \$71,935 | \$67,505 | \$69,612 |
| Basic Allowance for Housing (BAH) | \$764,192 | \$792,773 | \$717,435 | \$727,759 | \$833,227 | \$789,266 | \$728,709 | \$758,993 |
| Basic Allowance for Quarters | \$3,843,399 | \$4,208,449 | \$4,440,299 | \$4,757,879 | \$4,745,165 | \$4,816,012 | \$4,918,110 | \$5,088,024 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$992,948 | \$997,266 | \$1,077,142 | \$1,131,401 | \$1,138,083 | \$1,167,437 | \$1,196,901 | \$1,204,703 |
| Incentive Pays | \$12,774,897 | \$12,549,016 | \$13,082,766 | \$13,743,142 | \$13,768,801 | \$13,887,823 | \$13,891,627 | \$13,872,407 |
| Other MILPERS Costs (AC) | \$336,904 | \$308,964 | \$302,147 | \$303,217 | \$272,650 | \$269,078 | \$258,018 | \$248,776 |
| Special Compensation for Combat-Rel | \$284,728 | \$276,631 | \$244,801 | \$258,351 | \$280,629 | \$256,301 | \$206,600 | \$171,393 |
| Disabled | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Special Pays | \$540,730 | \$528,017 | \$712,869 | \$776,364 | \$813,819 | \$809,290 | \$716,247 | \$627,311 |
| Variable Housing Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| RC | | | | | | | | |
| Basic Allowance for Housing (BAH) | \$3,476,848 | \$3,690,144 | \$3,799,208 | \$4,030,948 | \$4,170,886 | \$4,232,954 | \$3,779,058 | \$3,754,072 |
| Basic Allowance for Quarters | \$390,795 | \$437,343 | \$479,589 | \$509,280 | \$544,620 | \$560,574 | \$570,445 | \$572,155 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$107,436 | \$114,106 | \$121,131 | \$124,939 | \$121,852 |
| Other MILPERS Costs (RC) | \$2,123,286 | \$2,174,766 | \$2,199,630 | \$2,414,796 | \$2,505,097 | \$2,564,617 | \$2,580,246 | \$2,535,518 |
| Variable Housing Allowance | \$962,767 | \$1,078,035 | \$1,119,989 | \$999,436 | \$1,007,063 | \$986,632 | \$503,428 | \$524,547 |
| Grand Total | \$23,073,917 | \$23,413,702 | \$24,445,724 | \$25,802,722 | \$26,098,025 | \$26,300,096 | \$25,762,775 | \$25,795,291 |

Current Pay, Coast Guard

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------------|------|------|------|------|------|------|----------|-------------|-------------|
| AC | | | | | | | | | |
| Academy Cadets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,134,189 | \$2,237,309 |
| Allowances | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,493 | \$9,788 |
| Basic Allowance for Housing (BAH) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$66,749 | \$73,053 |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$521,114 | \$561,721 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$118,989 | \$122,486 |
| Incentive Pays | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,333,974 | \$1,381,336 |
| Other MilPers Costs (AC) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$17,164 | \$17,303 |
| Separation Pay | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Special Pays | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$10,129 | \$9,738 |
| RC | | | | | | | | | |
| Basic Allowance for Subsistence (BAS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$56,577 | \$61,884 |
| Basic Pay (MILPERS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$43,177 | \$42,506 | \$48,570 |
| Other MilPers Costs (RC) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$43,177 | \$36,495 | \$40,208 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$43,177 | \$2,176,695 | \$2,285,879 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AC | | | | | | | | |
| Academy Cadets | \$2,379,226 | \$2,494,038 | \$2,662,273 | \$2,781,675 | \$2,794,080 | \$2,820,001 | \$2,808,505 | \$2,832,238 |
| Allowances | \$9,965 | \$9,979 | \$10,269 | \$10,889 | \$11,657 | \$11,506 | \$11,001 | \$10,198 |
| Basic Allowance for Housing (BAH) | \$85,732 | \$80,242 | \$83,973 | \$88,261 | \$86,998 | \$89,677 | \$89,750 | \$91,149 |
| Basic Allowance for Subsistence (BAS) | \$592,834 | \$643,942 | \$697,693 | \$740,717 | \$746,523 | \$755,082 | \$763,193 | \$792,643 |
| Basic Pay (MILPERS) | \$126,062 | \$135,808 | \$150,746 | \$156,544 | \$153,706 | \$162,599 | \$161,423 | \$160,975 |
| Incentive Pays | \$1,437,821 | \$1,524,078 | \$1,606,579 | \$1,702,870 | \$1,723,421 | \$1,734,716 | \$1,719,840 | \$1,714,787 |
| Other MilPers Costs (AC) | \$20,573 | \$18,176 | \$19,264 | \$19,449 | \$18,981 | \$18,498 | \$18,574 | \$19,168 |
| Separation Pay | \$9,831 | \$7,017 | \$5,544 | \$4,490 | \$5,408 | \$4,729 | \$1,685 | \$1,700 |
| Special Pays | \$9,176 | \$11,296 | \$13,338 | \$14,670 | \$14,248 | \$12,943 | \$15,494 | \$14,948 |
| RC | | | | | | | | |
| Basic Allowance for Subsistence (BAS) | \$87,232 | \$63,500 | \$74,867 | \$43,784 | \$33,138 | \$30,252 | \$27,544 | \$26,671 |
| Basic Pay (MILPERS) | \$51,375 | \$55,403 | \$56,702 | \$54,014 | \$59,068 | \$57,523 | \$58,468 | \$59,052 |
| Other MilPers Costs (RC) | \$0 | \$0 | \$0 | \$793 | \$860 | \$905 | \$976 | \$986 |
| Grand Total | \$2,430,601 | \$2,549,440 | \$2,718,976 | \$2,835,689 | \$2,853,148 | \$2,877,524 | \$2,866,972 | \$2,891,290 |

Current Pay, NOAA

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| AC | \$18,882 | \$15,030 | \$16,135 | \$16,673 | \$18,438 | \$19,803 | \$20,952 | \$22,952 | \$24,729 |
| Allowances | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Basic Allowance for Housing (BAH) & Basic Allowance for Subsistence (BAS) Combined | \$4,056 | \$3,137 | \$3,476 | \$3,826 | \$4,411 | \$4,828 | \$5,183 | \$5,791 | \$6,437 |
| Basic Pay (MILPERS) | \$14,143 | \$11,250 | \$11,927 | \$12,034 | \$13,117 | \$14,006 | \$14,751 | \$16,136 | \$17,199 |
| Incentive Pays | \$251 | \$242 | \$267 | \$279 | \$294 | \$327 | \$345 | \$362 | \$354 |
| Other Allowances | \$118 | \$125 | \$186 | \$205 | \$183 | \$173 | \$228 | \$121 | \$190 |
| Other Benefit | \$51 | \$16 | \$40 | \$62 | \$17 | \$14 | \$17 | \$18 | \$24 |
| Severance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Severance Pay | \$0 | \$48 | \$0 | \$20 | \$9 | \$0 | \$0 | \$0 | \$0 |
| Special Pays | \$263 | \$212 | \$239 | \$247 | \$407 | \$440 | \$427 | \$524 | \$528 |
| Unemployment | \$0 | \$0 | \$0 | \$0 | \$0 | \$15 | \$0 | \$0 | \$0 |
| Grand Total | \$18,882 | \$15,030 | \$16,135 | \$16,673 | \$18,438 | \$19,803 | \$20,952 | \$22,952 | \$24,729 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| AC | \$25,560 | \$25,998 | \$27,308 | \$30,392 | \$30,704 | \$32,652 | \$32,653 | \$34,291 |
| Allowances | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,283 |
| Basic Allowance for Housing (BAH) & Basic Allowance for Subsistence (BAS) Combined | \$6,774 | \$7,110 | \$7,582 | \$8,347 | \$8,384 | \$7,436 | \$8,070 | \$8,615 |
| Basic Pay (MILPERS) | \$17,508 | \$17,827 | \$18,684 | \$20,813 | \$21,099 | \$22,295 | \$22,937 | \$22,572 |
| Incentive Pays | \$356 | \$364 | \$377 | \$417 | \$388 | \$384 | \$374 | \$353 |
| Other Allowances | \$151 | \$172 | \$193 | \$210 | \$305 | \$241 | \$774 | \$0 |
| Other Benefit | \$20 | \$16 | \$21 | \$41 | \$46 | \$1,802 | \$2 | \$0 |
| Severance | \$0 | \$0 | \$0 | \$3 | \$0 | \$0 | \$0 | \$0 |
| Severance Pay | \$224 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Special Pays | \$527 | \$508 | \$450 | \$561 | \$483 | \$494 | \$497 | \$467 |
| Unemployment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$25,560 | \$25,998 | \$27,308 | \$30,392 | \$30,704 | \$32,652 | \$32,653 | \$34,291 |

Retirement, All DoD, Active Component

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Retired Pay Accrual | \$9,590,795 | \$9,567,279 | \$10,424,647 | \$10,197,501 | \$11,810,300 | \$12,304,456 | \$12,830,047 | \$13,114,987 | \$12,735,934 |
| Army | \$3,266,956 | \$3,280,812 | \$3,573,411 | \$3,526,918 | \$3,982,677 | \$4,568,634 | \$5,039,501 | \$5,207,031 | \$4,986,498 |
| Navy | \$2,576,863 | \$2,532,869 | \$2,764,306 | \$2,686,068 | \$3,069,853 | \$3,017,749 | \$3,057,014 | \$3,110,486 | \$3,026,776 |
| Marine Corps | \$1,001,820 | \$1,023,266 | \$1,128,537 | \$1,106,064 | \$1,239,999 | \$1,284,893 | \$1,284,530 | \$1,378,938 | \$1,361,072 |
| Air Force | \$2,745,156 | \$2,730,332 | \$2,958,393 | \$2,878,451 | \$3,517,771 | \$3,433,180 | \$3,449,002 | \$3,418,532 | \$3,361,588 |
| Separation Pay | \$822,966 | \$782,648 | \$629,893 | \$546,375 | \$765,020 | \$945,516 | \$882,400 | \$869,400 | \$835,407 |
| Army | \$370,724 | \$337,537 | \$269,926 | \$260,230 | \$315,336 | \$424,714 | \$357,950 | \$389,182 | \$386,097 |
| Navy | \$195,363 | \$238,013 | \$129,284 | \$127,820 | \$179,032 | \$221,209 | \$221,558 | \$179,807 | \$198,394 |
| Marine Corps | \$66,655 | \$58,049 | \$58,924 | \$47,658 | \$61,266 | \$100,941 | \$79,506 | \$75,598 | \$53,839 |
| Air Force | \$190,224 | \$149,049 | \$171,759 | \$110,667 | \$209,386 | \$198,652 | \$223,386 | \$224,813 | \$197,077 |
| Social Security Tax | \$2,731,481 | \$2,731,415 | \$2,496,526 | \$2,613,795 | \$2,967,106 | \$3,465,074 | \$3,609,416 | \$3,662,990 | \$3,668,324 |
| Army | \$932,150 | \$936,537 | \$851,715 | \$898,642 | \$998,753 | \$1,297,107 | \$1,424,156 | \$1,448,906 | \$1,447,503 |
| Navy | \$730,255 | \$720,599 | \$664,449 | \$688,407 | \$768,639 | \$841,219 | \$850,406 | \$863,324 | \$866,437 |
| Marine Corps | \$282,274 | \$288,299 | \$271,016 | \$285,202 | \$312,731 | \$369,880 | \$363,158 | \$378,560 | \$386,212 |
| Air Force | \$786,802 | \$785,980 | \$709,346 | \$741,544 | \$886,983 | \$956,868 | \$971,696 | \$972,200 | \$968,172 |
| Grand Total | \$13,145,242 | \$13,081,342 | \$13,551,066 | \$13,357,671 | \$15,542,426 | \$16,715,046 | \$17,321,863 | \$17,647,377 | \$17,239,665 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Retired Pay Accrual | \$12,858,242 | \$14,246,922 | \$15,342,609 | \$17,653,802 | \$18,102,597 | \$18,961,012 | \$17,614,824 | \$17,637,896 |
| Army | \$5,053,063 | \$5,605,512 | \$6,261,123 | \$7,292,050 | \$7,499,351 | \$7,754,286 | \$7,122,209 | \$6,984,815 |
| Navy | \$3,029,426 | \$3,321,202 | \$3,470,478 | \$3,926,340 | \$4,021,683 | \$4,200,689 | \$3,956,716 | \$4,076,375 |
| Marine Corps | \$1,390,404 | \$1,656,906 | \$1,827,198 | \$2,041,802 | \$2,131,487 | \$2,259,291 | \$2,104,899 | \$2,081,476 |
| Air Force | \$3,385,349 | \$3,663,302 | \$3,783,810 | \$4,393,610 | \$4,450,076 | \$4,746,746 | \$4,431,000 | \$4,495,230 |
| Separation Pay | \$990,572 | \$862,178 | \$710,358 | \$827,384 | \$981,146 | \$1,273,342 | \$1,357,536 | \$1,673,922 |
| Army | \$277,954 | \$394,711 | \$304,329 | \$350,847 | \$362,555 | \$495,449 | \$676,730 | \$415,401 |
| Navy | \$188,148 | \$174,252 | \$167,617 | \$200,097 | \$260,731 | \$364,902 | \$259,710 | \$295,086 |
| Marine Corps | \$64,307 | \$63,127 | \$69,939 | \$83,451 | \$102,367 | \$144,748 | \$212,516 | \$240,087 |
| Air Force | \$460,163 | \$230,088 | \$168,473 | \$192,989 | \$255,493 | \$268,243 | \$208,580 | \$723,348 |
| Social Security Tax | \$3,686,288 | \$3,836,779 | \$4,070,873 | \$4,257,559 | \$4,300,952 | \$4,273,769 | \$4,222,713 | \$4,199,137 |
| Army | \$1,441,643 | \$1,540,544 | \$1,701,233 | \$1,779,628 | \$1,799,857 | \$1,772,039 | \$1,721,009 | \$1,670,012 |
| Navy | \$872,314 | \$879,716 | \$902,874 | \$930,942 | \$942,185 | \$935,814 | \$940,648 | \$965,017 |
| Marine Corps | \$397,327 | \$436,165 | \$475,017 | \$496,696 | \$504,292 | \$506,195 | \$500,527 | \$493,095 |
| Air Force | \$975,004 | \$980,354 | \$991,749 | \$1,050,293 | \$1,054,618 | \$1,059,721 | \$1,060,529 | \$1,071,013 |
| Grand Total | \$17,535,102 | \$18,945,879 | \$20,123,840 | \$22,738,745 | \$23,384,695 | \$24,508,123 | \$23,195,073 | \$23,510,955 |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Retirement, All DoD, Reserve Component

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Retired Pay Accrual | \$895,072 | \$941,379 | \$1,048,284 | \$1,258,177 | \$1,360,294 | \$1,307,352 | \$1,431,063 | \$1,567,423 | \$1,846,260 |
| Army | \$528,486 | \$555,581 | \$614,742 | \$739,518 | \$822,242 | \$784,458 | \$834,980 | \$917,935 | \$1,173,726 |
| Navy | \$151,426 | \$151,765 | \$161,203 | \$179,873 | \$193,942 | \$189,616 | \$201,250 | \$208,113 | \$200,151 |
| Marine Corps | \$33,522 | \$31,762 | \$35,735 | \$46,455 | \$50,172 | \$43,084 | \$50,450 | \$52,187 | \$60,642 |
| Air Force | \$181,638 | \$202,271 | \$236,604 | \$292,331 | \$293,938 | \$290,194 | \$344,383 | \$389,188 | \$411,741 |
| Grand Total | \$895,072 | \$941,379 | \$1,048,284 | \$1,258,177 | \$1,360,294 | \$1,307,352 | \$1,431,063 | \$1,567,423 | \$1,846,260 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Retired Pay Accrual | \$1,858,602 | \$2,090,592 | \$2,326,650 | \$2,799,438 | \$2,894,559 | \$2,988,187 | \$2,963,736 | \$2,912,393 |
| Army | \$1,165,969 | \$1,318,318 | \$1,488,017 | \$1,765,023 | \$1,840,525 | \$1,898,424 | \$1,890,606 | \$1,862,250 |
| Navy | \$203,241 | \$217,391 | \$232,175 | \$267,631 | \$270,810 | \$276,877 | \$269,562 | \$259,283 |
| Marine Corps | \$48,885 | \$62,662 | \$73,397 | \$101,968 | \$94,260 | \$93,942 | \$97,481 | \$94,097 |
| Air Force | \$440,507 | \$492,221 | \$533,061 | \$664,816 | \$688,964 | \$718,944 | \$706,087 | \$696,763 |
| Grand Total | \$1,858,602 | \$2,090,592 | \$2,326,650 | \$2,799,438 | \$2,894,559 | \$2,988,187 | \$2,963,736 | \$2,912,393 |

Retirement, Coast Guard

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|------|------|------|------|------|------|------|-----------|-----------|
| AC | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$102,777 | \$106,206 |
| Social Security Tax | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$102,777 | \$106,206 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$102,777 | \$106,206 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AC | \$110,412 | \$116,232 | \$123,015 | \$129,975 | \$132,108 | \$133,058 | \$131,910 | \$131,961 |
| Social Security Tax | \$110,412 | \$116,232 | \$123,015 | \$129,975 | \$132,108 | \$133,058 | \$131,910 | \$131,961 |
| Grand Total | \$110,412 | \$116,232 | \$123,015 | \$129,975 | \$132,108 | \$133,058 | \$131,910 | \$131,961 |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Retirement, NOAA

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Retired Pay | \$10,710 | \$11,290 | \$12,660 | \$13,480 | \$13,950 | \$14,128 | \$14,638 | \$15,737 | \$16,609 |
| Social Security Tax | \$1,055 | \$833 | \$893 | \$967 | \$990 | \$1,052 | \$1,106 | \$1,213 | \$1,291 |
| Grand Total | \$11,765 | \$12,123 | \$13,553 | \$14,447 | \$14,920 | \$15,180 | \$15,745 | \$16,951 | \$17,899 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Retired Pay | \$17,901 | \$19,309 | \$20,534 | \$21,422 | \$21,786 | \$22,183 | \$22,743 | \$25,769 | |
| Social Security Tax | \$1,316 | \$1,342 | \$1,293 | \$1,670 | \$1,271 | \$1,183 | \$1,562 | \$0 | |
| Grand Total | \$19,218 | \$20,651 | \$21,827 | \$23,093 | \$23,057 | \$23,366 | \$24,305 | \$25,769 | |

Retirement, Treasury, Concurrent Receipt

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Concurrent Receipt | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,539,000 | \$2,344,000 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,539,000 | \$2,344,000 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Concurrent Receipt | \$2,452,000 | \$2,776,000 | \$3,745,000 | \$4,516,000 | \$4,950,000 | \$5,376,000 | \$6,791,000 | \$7,026,000 | |
| Grand Total | \$2,452,000 | \$2,776,000 | \$3,745,000 | \$4,516,000 | \$4,950,000 | \$5,376,000 | \$6,791,000 | \$7,026,000 | |

Health Benefits, All DoD

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Defense Health Program: Direct Care | \$5,966,894 | \$5,914,651 | \$6,210,944 | \$6,666,621 | \$8,271,956 | \$7,420,684 | \$8,789,135 | \$9,471,049 | \$10,260,996 |
| Defense Health Program: Purchased Care | \$3,970,618 | \$4,169,056 | \$5,448,987 | \$6,191,544 | \$8,466,757 | \$7,243,247 | \$8,448,403 | \$8,026,053 | \$10,202,763 |
| Defense Health Program: Military Construction | \$185,925 | \$221,087 | \$161,903 | \$162,410 | \$223,679 | \$167,741 | \$177,130 | \$224,519 | \$335,656 |
| Grand Total | \$10,123,437 | \$10,304,794 | \$11,821,833 | \$13,020,575 | \$16,962,393 | \$14,831,672 | \$17,414,668 | \$17,721,621 | \$20,799,415 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Defense Health Program: Direct Care | \$11,817,331 | \$11,847,544 | \$12,899,951 | \$14,098,669 | \$15,151,110 | \$15,475,183 | \$15,201,016 | \$16,277,536 |
| Defense Health Program: Purchased Care | \$11,008,653 | \$12,103,545 | \$13,722,803 | \$14,325,010 | \$14,802,421 | \$14,962,666 | \$14,651,524 | \$15,317,356 |
| Defense Health Program: Military Construction | \$326,732 | \$1,361,686 | \$1,040,171 | \$1,019,997 | \$869,602 | \$1,131,540 | \$906,935 | \$805,123 |
| Grand Total | \$23,152,717 | \$25,312,776 | \$27,662,925 | \$29,443,676 | \$30,823,133 | \$31,569,389 | \$30,759,475 | \$32,400,015 |

Health Benefits, All DoD, Active Component

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Retiree >65 (MERHCF Accrual) | | | | | | | | | |
| Army | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,962,848 | \$6,546,473 | \$7,304,569 | \$7,770,475 |
| Navy | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,055,739 | \$2,281,171 | \$2,423,984 | \$2,727,452 |
| Marine Corps | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,578,596 | \$1,728,889 | \$1,971,090 | \$2,028,599 |
| Air Force | \$0 | \$0 | \$0 | \$0 | \$0 | \$755,700 | \$807,558 | \$953,744 | \$981,905 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,572,813 | \$1,728,855 | \$1,955,751 | \$2,032,519 |
| | | | | | | \$5,962,848 | \$6,546,473 | \$7,304,569 | \$7,770,475 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Retiree >65 (MERHCF Accrual) | | | | | | | | | |
| Army | \$8,146,808 | \$8,143,044 | \$7,503,895 | \$7,921,638 | \$8,036,089 | \$7,919,013 | \$6,148,862 | \$5,503,342 | |
| Navy | \$2,915,391 | \$3,132,436 | \$2,902,192 | \$3,123,620 | \$3,189,707 | \$3,146,969 | \$2,434,057 | \$2,109,308 | |
| Marine Corps | \$2,098,369 | \$1,935,495 | \$1,771,025 | \$1,825,661 | \$1,841,496 | \$1,806,358 | \$1,397,183 | \$1,298,063 | |
| Air Force | \$1,050,586 | \$1,116,313 | \$1,052,714 | \$1,136,146 | \$1,142,321 | \$1,126,083 | \$875,814 | \$779,061 | |
| Grand Total | \$2,082,462 | \$1,958,800 | \$1,777,964 | \$1,836,211 | \$1,862,565 | \$1,839,603 | \$1,441,808 | \$1,316,910 | |
| | \$8,146,808 | \$8,143,044 | \$7,503,895 | \$7,921,638 | \$8,036,089 | \$7,919,013 | \$6,148,862 | \$5,503,342 | |

Health Benefits, All DoD, Reserve Component

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|------|------|------|------|------|-------------|-------------|-------------|-------------|
| Retiree >65 (MERHCF Accrual) | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,604,200 | \$1,788,031 | \$2,765,838 | \$3,004,917 |
| Army | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,017,552 | \$1,135,481 | \$1,758,276 | \$1,936,372 |
| Navy | \$0 | \$0 | \$0 | \$0 | \$0 | \$178,550 | \$196,420 | \$277,711 | \$291,754 |
| Marine Corps | \$0 | \$0 | \$0 | \$0 | \$0 | \$69,597 | \$81,312 | \$130,421 | \$136,589 |
| Air Force | \$0 | \$0 | \$0 | \$0 | \$0 | \$338,501 | \$374,818 | \$599,430 | \$640,202 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,604,200 | \$1,788,031 | \$2,765,838 | \$3,004,917 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Retiree >65 (MERHCF Accrual) | \$3,083,822 | \$3,042,355 | \$2,846,698 | \$2,874,192 | \$2,974,102 | \$2,926,094 | \$2,148,044 | \$1,932,339 |
| Army | \$1,974,385 | \$1,980,051 | \$1,873,360 | \$1,910,898 | \$1,973,277 | \$1,938,387 | \$1,431,389 | \$1,289,582 |
| Navy | \$287,140 | \$265,913 | \$239,846 | \$234,278 | \$241,584 | \$236,044 | \$169,342 | \$147,812 |
| Marine Corps | \$144,647 | \$142,298 | \$133,868 | \$128,897 | \$132,115 | \$134,710 | \$98,428 | \$89,108 |
| Air Force | \$677,650 | \$654,093 | \$599,624 | \$600,119 | \$627,126 | \$616,953 | \$448,885 | \$405,837 |
| Grand Total | \$3,083,822 | \$3,042,355 | \$2,846,698 | \$2,874,192 | \$2,974,102 | \$2,926,094 | \$2,148,044 | \$1,932,339 |

Health Benefits, Coast Guard

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------|------|------|------|------|------|------|------|------|
| AC | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Defense Health Program: Direct Care Active Duty Members and Beneficiaries | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Defense Health Program: Purchased Care Active Duty Members and Beneficiaries | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retired Members and Beneficiaries | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retired Members and Beneficiaries Direct Care | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retired Members and Beneficiaries Purchased Care | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|-----------|-----------|-----------|-----------|-----------|-----------|
| AC | \$0 | \$0 | \$283,341 | \$292,877 | \$303,036 | \$314,498 | \$309,241 | \$132,581 |
| Defense Health Program: Direct Care Active Duty Members and Beneficiaries | \$0 | \$0 | \$46,028 | \$43,757 | \$40,494 | \$46,571 | \$48,168 | \$45,183 |
| Defense Health Program: Purchased Care Active Duty Members and Beneficiaries | \$0 | \$0 | \$237,313 | \$249,119 | \$262,542 | \$267,927 | \$261,073 | \$87,398 |
| Retired Members and Beneficiaries | \$0 | \$0 | \$196,742 | \$191,128 | \$197,475 | \$208,706 | \$208,398 | \$78,871 |
| Retired Members and Beneficiaries Direct Care | \$0 | \$0 | \$25,242 | \$20,350 | \$19,931 | \$21,767 | \$26,504 | \$20,958 |
| Retired Members and Beneficiaries Purchased Care | \$0 | \$0 | \$171,500 | \$170,777 | \$177,545 | \$186,939 | \$181,894 | \$57,913 |
| Grand Total | \$0 | \$0 | \$480,083 | \$484,004 | \$500,511 | \$523,204 | \$517,638 | \$211,452 |

Health Benefits, NOAA

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------|------|------|------|------|------|---------|---------|---------|---------|
| AC | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,176 | \$1,254 | \$1,415 | \$1,523 |
| MERHCF | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,176 | \$1,254 | \$1,415 | \$1,523 |
| Grand Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,176 | \$1,254 | \$1,415 | \$1,523 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------|---------|---------|---------|-------|---------|------|---------|---------|
| AC | \$1,522 | \$1,569 | \$1,532 | \$113 | \$1,832 | \$21 | \$1,422 | \$1,368 |
| MERHCF | \$1,522 | \$1,569 | \$1,532 | \$113 | \$1,832 | \$21 | \$1,422 | \$1,368 |
| Grand Total | \$1,522 | \$1,569 | \$1,532 | \$113 | \$1,832 | \$21 | \$1,422 | \$1,368 |

Health Benefits, Veterans Affairs

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|--------------|--------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| VA: Compensation | \$17,322,000 | \$18,694,000 | \$18,523,000 | \$20,257,000 | \$22,772,000 | \$25,549,000 | \$26,298,000 | \$28,915,000 | \$30,216,000 |
| VA: Deductions for Offsetting Receipts | -\$8,000 | -\$4,400 | -\$4,000 | -\$1,200 | \$8,800 | \$25,200 | \$12,800 | -\$59,600 | -\$18,400 |
| VA: Departmental Administration | \$397,400 | \$331,400 | \$242,200 | \$250,400 | \$415,200 | \$347,200 | \$946,800 | \$753,600 | \$1,821,600 |
| VA: Health Care | \$17,497,000 | \$17,628,000 | \$19,270,000 | \$20,602,000 | \$21,834,000 | \$24,333,000 | \$26,431,000 | \$29,572,000 | \$29,365,000 |
| VA: Interest | -\$400 | -\$800 | -\$800 | -\$1,200 | -\$1,600 | -\$1,600 | -\$1,200 | -\$800 | -\$800 |
| Grand Total | \$35,208,000 | \$36,648,200 | \$38,030,400 | \$41,107,000 | \$45,028,400 | \$50,252,800 | \$53,687,400 | \$59,180,200 | \$61,383,400 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| VA: Compensation | \$34,763,000 | \$37,240,000 | \$39,176,000 | \$56,647,000 | \$49,182,000 | \$46,126,000 | \$56,384,000 | \$65,737,000 | |
| VA: Deductions for Offsetting Receipts | \$6,000 | -\$25,600 | -\$11,600 | -\$6,800 | \$7,600 | -\$36,800 | -\$24,800 | -\$18,000 | |
| VA: Departmental Administration | \$952,400 | \$2,194,400 | \$1,700,600 | \$1,873,600 | \$2,596,200 | \$1,283,600 | \$1,560,600 | \$1,271,000 | |
| VA: Health Care | \$34,032,000 | \$36,732,000 | \$41,693,000 | \$45,129,000 | \$48,718,000 | \$51,398,000 | \$53,200,000 | \$55,111,000 | |
| VA: Interest | -\$2,000 | -\$2,800 | -\$3,200 | -\$2,800 | -\$2,400 | -\$2,000 | -\$2,000 | -\$2,800 | |
| Grand Total | \$69,751,400 | \$76,138,000 | \$82,554,800 | \$103,640,000 | \$100,501,400 | \$98,768,800 | \$111,117,800 | \$122,098,200 | |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Quality of Life, All DoD, FY1998-2006

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Child and Youth Services | \$415,805 | \$475,183 | \$456,038 | \$456,797 | \$465,203 | \$520,051 | \$493,373 | \$474,276 | \$526,343 |
| Child Development | \$340,960 | \$389,650 | \$373,951 | \$375,105 | \$382,053 | \$414,607 | \$397,632 | \$390,364 | \$427,577 |
| Youth Programs | \$74,845 | \$85,533 | \$82,087 | \$81,692 | \$83,150 | \$105,444 | \$95,741 | \$83,912 | \$98,766 |
| Commissary Services | \$951,500 | \$940,300 | \$1,009,100 | \$917,800 | \$1,103,300 | \$959,100 | \$1,089,200 | \$1,141,100 | \$1,152,200 |
| Dependent Education (DoDEA) | \$1,204,957 | \$1,230,142 | \$1,263,241 | \$1,281,502 | \$1,417,733 | \$1,742,790 | \$1,713,101 | \$1,688,908 | \$1,725,448 |
| DoD Dependent Schools (DoDDS) | \$821,816 | \$777,268 | \$780,329 | \$828,058 | \$833,992 | \$1,067,816 | \$1,061,875 | \$1,085,061 | \$1,063,908 |
| DoD Dom Dep Elem & Sec Schools (DDESS) | \$319,341 | \$373,630 | \$367,338 | \$386,840 | \$385,828 | \$428,558 | \$373,487 | \$369,239 | \$383,808 |
| DoD Supplement to Impact Aid | \$35,000 | \$35,000 | \$30,000 | \$35,000 | \$34,500 | \$33,000 | \$35,000 | \$35,000 | \$42,000 |
| Operations | \$0 | \$0 | \$0 | \$0 | \$90,393 | \$154,952 | \$132,066 | \$125,840 | \$132,794 |
| Procurement | \$0 | \$1,600 | \$1,600 | \$1,500 | \$1,600 | \$3,800 | \$1,200 | \$800 | \$1,500 |
| Construction | \$28,800 | \$42,644 | \$83,974 | \$30,104 | \$71,420 | \$54,664 | \$109,473 | \$72,968 | \$101,438 |
| Family Housing | \$192,387 | \$153,979 | \$43,266 | \$44,778 | \$55,498 | \$288,187 | \$432,711 | \$502,466 | \$606,808 |
| Family Subsistence Supplemental Allowance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Morale, Welfare, and Recreation (MWR) | \$872,071 | \$1,003,860 | \$1,001,968 | \$636,932 | \$910,712 | \$979,224 | \$935,753 | \$960,925 | \$997,257 |
| Off-Duty and Voluntary Education (Education Assistance) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$3,636,720 | \$3,803,464 | \$3,773,613 | \$3,337,809 | \$3,952,446 | \$4,489,352 | \$4,664,138 | \$4,767,675 | \$5,008,056 |

Quality of Life, All DoD, FY2007-2014

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Child and Youth Services | \$503,425 | \$1,056,254 | \$1,076,469 | \$1,045,374 | \$1,163,528 | \$1,033,325 | \$969,906 | \$980,255 |
| Child Development | \$395,555 | \$775,089 | \$873,472 | \$858,712 | \$948,503 | \$871,614 | \$813,837 | \$806,849 |
| Youth Programs | \$107,870 | \$281,165 | \$202,997 | \$186,662 | \$215,025 | \$161,711 | \$156,069 | \$173,410 |
| Commissary Services | \$1,179,400 | \$1,245,700 | \$1,314,084 | \$1,353,666 | \$1,273,571 | \$1,376,830 | \$1,369,559 | \$1,365,897 |
| Dependent Education (DoDEA) | \$1,702,123 | \$1,698,929 | \$1,908,268 | \$2,147,901 | \$2,347,665 | \$2,557,413 | \$2,524,478 | \$2,944,344 |
| DoD Dependent Schools (DoDDS) | \$1,062,367 | \$1,110,108 | \$1,111,476 | \$1,210,002 | \$1,193,636 | \$1,243,139 | \$1,156,866 | \$1,310,920 |
| DoD Dom Dep Elem & Sec Schools (DDESS) | \$385,010 | \$400,906 | \$418,491 | \$468,864 | \$476,663 | \$523,585 | \$507,158 | \$574,361 |
| DoD Supplement to Impact Aid | \$43,000 | \$35,000 | \$44,000 | \$41,000 | \$44,000 | \$45,000 | \$41,180 | \$45,000 |
| Operations | \$117,825 | \$113,488 | \$230,724 | \$191,095 | \$193,177 | \$193,969 | \$160,859 | \$133,491 |
| Procurement | \$500 | \$1,490 | \$1,494 | \$1,458 | \$1,443 | \$1,444 | \$1,457 | \$1,454 |
| Construction | \$93,421 | \$37,937 | \$102,083 | \$235,482 | \$438,746 | \$550,276 | \$656,958 | \$879,118 |
| Family Housing | \$2,426,361 | \$1,586,702 | \$1,418,369 | \$1,187,986 | \$2,219,500 | \$860,550 | \$968,377 | \$522,583 |
| Family Subsistence Supplemental Allowance | \$22 | \$26 | \$16 | \$33 | \$34 | \$34 | \$3 | \$33 |
| Morale, Welfare, and Recreation (MWR) | \$986,121 | \$1,157,333 | \$1,243,158 | \$1,145,373 | \$1,092,907 | \$1,047,428 | \$1,084,518 | \$869,451 |
| Off-Duty and Voluntary Education (Education Assistance) | \$201,532 | \$216,041 | \$220,693 | \$226,055 | \$232,746 | \$229,136 | \$214,563 | \$134,166 |
| Subsistence-In-Kind (SIK) | \$212,406 | \$194,046 | \$219,559 | \$232,028 | \$246,747 | \$259,257 | \$230,758 | \$214,200 |
| Warfighter and Family Services | \$56,080 | \$58,541 | \$65,411 | \$114,592 | \$125,186 | \$119,608 | \$77,895 | \$98,103 |
| Grand Total | \$7,267,470 | \$7,213,572 | \$7,466,027 | \$7,453,008 | \$8,701,884 | \$7,483,581 | \$7,440,057 | \$7,129,032 |

Quality of Life, Army

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AC | | | | | | | | | |
| Family Housing | \$1,862,839 | \$1,792,983 | \$1,803,379 | \$1,890,034 | \$2,288,570 | \$2,162,828 | \$4,388,845 | \$3,578,451 | \$3,541,295 |
| Family Subsistence Supplemental Allowance | \$1,301,168 | \$1,208,173 | \$1,151,978 | \$1,173,952 | \$1,386,623 | \$1,279,161 | \$1,428,037 | \$1,563,806 | \$1,340,253 |
| Off-Duty and Voluntary Education (Education Assistance) | \$0 | \$0 | \$0 | \$2,088 | \$1,587 | \$5,198 | \$1,256 | \$928 | \$544 |
| Subsistence-In-Kind (SIK) | \$114,286 | \$110,654 | \$81,669 | \$140,975 | \$182,013 | \$201,635 | \$249,033 | \$248,490 | \$176,285 |
| Warfighter and Family Services | \$447,385 | \$474,156 | \$559,732 | \$573,019 | \$718,347 | \$614,538 | \$2,624,335 | \$1,697,196 | \$1,955,246 |
| RC | \$0 | \$0 | \$0 | \$0 | \$0 | \$62,296 | \$86,184 | \$68,031 | \$68,967 |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$0 | \$26,052 | \$45,100 | \$37,059 | \$26,033 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$1,862,839 | \$1,792,983 | \$1,803,379 | \$1,890,034 | \$2,288,570 | \$2,188,880 | \$4,433,945 | \$3,615,510 | \$3,567,328 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| AC | | | | | | | | | |
| Family Housing | \$3,714,032 | \$3,468,275 | \$3,916,755 | \$3,736,196 | \$3,310,687 | \$2,589,908 | \$1,677,021 | \$1,744,655 | |
| Family Subsistence Supplemental Allowance | \$1,316,178 | \$1,149,784 | \$1,356,599 | \$712,233 | \$627,122 | \$666,719 | \$490,928 | \$540,279 | |
| Off-Duty and Voluntary Education (Education Assistance) | \$565 | \$677 | \$688 | \$1,302 | \$1,859 | \$1,533 | \$1,251 | \$2,121 | |
| Subsistence-In-Kind (SIK) | \$198,260 | \$207,176 | \$225,282 | \$240,941 | \$243,658 | \$251,882 | \$229,641 | \$251,523 | |
| Warfighter and Family Services | \$2,123,995 | \$2,011,807 | \$2,149,612 | \$2,522,177 | \$2,145,842 | \$1,505,540 | \$812,317 | \$810,326 | |
| RC | \$75,034 | \$98,831 | \$184,574 | \$259,543 | \$292,206 | \$164,234 | \$142,884 | \$140,406 | |
| Subsistence-In-Kind (SIK) | \$60,783 | \$33,983 | \$100,300 | \$201,860 | \$232,030 | \$305,004 | \$263,935 | \$266,192 | |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$111,842 | \$91,219 | \$126,530 | \$93,173 | \$134,229 | |
| Grand Total | \$60,783 | \$33,983 | \$100,300 | \$90,018 | \$140,811 | \$178,474 | \$170,762 | \$131,963 | |
| | \$3,774,815 | \$3,502,258 | \$4,017,055 | \$3,938,056 | \$3,542,717 | \$2,894,912 | \$1,940,956 | \$2,010,847 | |

Quality of Life, Navy

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AC | | | | | | | | | |
| Family Housing | \$1,688,735 | \$1,594,723 | \$1,543,635 | \$1,700,767 | \$1,720,351 | \$1,778,581 | \$1,530,651 | \$1,373,321 | \$1,481,017 |
| Family Subsistence Supplemental Allowance | \$1,357,236 | \$1,196,083 | \$1,226,167 | \$1,294,863 | \$1,227,877 | \$1,238,256 | \$1,027,553 | \$844,511 | \$934,580 |
| | \$0 | \$0 | \$0 | \$35 | \$202 | \$500 | \$120 | \$28 | \$20 |
| Off-Duty and Voluntary Education (Education Assistance) | \$71,254 | \$77,551 | \$82,763 | \$90,616 | \$97,547 | \$100,207 | \$126,744 | \$132,694 | \$149,154 |
| Subsistence-In-Kind (SIK) | \$260,245 | \$261,089 | \$234,705 | \$315,253 | \$349,342 | \$391,226 | \$331,714 | \$355,128 | \$341,048 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$45,383 | \$48,392 | \$44,520 | \$40,960 | \$56,215 |
| RC | \$0 | \$0 | \$0 | \$0 | \$1,053 | \$1,111 | \$1,033 | \$1,015 | \$1,482 |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$1,053 | \$1,111 | \$1,033 | \$1,015 | \$1,482 |
| Grand Total | \$1,688,735 | \$1,534,723 | \$1,543,635 | \$1,700,767 | \$1,721,404 | \$1,779,692 | \$1,531,684 | \$1,374,336 | \$1,482,499 |
| \$K | | | | | | | | | |
| AC | | | | | | | | | |
| Family Housing | \$1,249,153 | \$1,251,711 | \$1,410,855 | \$1,143,463 | \$1,200,478 | \$1,128,739 | \$1,084,219 | \$1,148,221 | |
| Family Subsistence Supplemental Allowance | \$634,898 | \$687,488 | \$768,853 | \$524,931 | \$568,386 | \$490,177 | \$473,415 | \$452,851 | |
| | \$10 | \$16 | \$12 | \$10 | \$11 | \$12 | \$10 | \$12 | |
| Off-Duty and Voluntary Education (Education Assistance) | \$160,922 | \$152,460 | \$160,941 | \$149,734 | \$133,224 | \$131,966 | \$130,406 | \$139,524 | |
| Subsistence-In-Kind (SIK) | \$385,337 | \$352,359 | \$423,700 | \$402,667 | \$430,922 | \$421,439 | \$414,310 | \$462,501 | |
| Warfighter and Family Services | \$67,986 | \$59,388 | \$57,349 | \$66,121 | \$67,935 | \$85,145 | \$66,078 | \$93,333 | |
| RC | \$1,095 | \$996 | \$725 | \$4,764 | \$4,167 | \$3,378 | \$3,356 | \$3,164 | |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$1,400 | \$1,300 | \$987 | \$900 | \$932 | |
| Warfighter and Family Services | \$1,095 | \$996 | \$725 | \$3,364 | \$2,867 | \$2,391 | \$2,456 | \$2,232 | |
| Grand Total | \$1,250,248 | \$1,252,707 | \$1,411,580 | \$1,148,227 | \$1,204,645 | \$1,132,117 | \$1,087,575 | \$1,151,385 | |

Quality of Life, Marine Corps

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AC | | | | | | | | | |
| Family Subsistence Supplemental Allowance | \$162,489 | \$145,853 | \$151,859 | \$189,345 | \$225,960 | \$241,861 | \$357,038 | \$294,477 | \$301,957 |
| Off-Duty and Voluntary Education (Education Assistance) | \$0 | \$0 | \$0 | \$0 | \$750 | \$750 | \$857 | \$750 | \$742 |
| Subsistence-In-Kind (SIK) | \$17,597 | \$17,881 | \$21,040 | \$20,998 | \$21,209 | \$30,329 | \$39,855 | \$42,256 | \$49,350 |
| Warfighter and Family Services | \$144,892 | \$127,972 | \$130,819 | \$168,347 | \$184,364 | \$191,152 | \$284,803 | \$223,418 | \$221,408 |
| RC | | | | | | | | | |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$19,637 | \$19,630 | \$31,523 | \$28,053 | \$30,457 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$105 | \$170 | \$285 | \$39 |
| Grand Total | \$162,489 | \$145,853 | \$151,859 | \$189,345 | \$225,960 | \$241,966 | \$357,208 | \$294,762 | \$301,996 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AC | | | | | | | | |
| Family Subsistence Supplemental Allowance | \$294,678 | \$325,028 | \$422,227 | \$418,672 | \$393,695 | \$493,622 | \$538,593 | \$483,719 |
| Off-Duty and Voluntary Education (Education Assistance) | \$750 | \$240 | \$947 | \$5 | \$10 | \$0 | \$0 | \$10 |
| Subsistence-In-Kind (SIK) | \$46,801 | \$50,371 | \$50,786 | \$53,162 | \$61,228 | \$60,261 | \$55,994 | \$51,914 |
| Warfighter and Family Services | \$215,846 | \$239,551 | \$252,430 | \$263,033 | \$261,610 | \$284,619 | \$339,867 | \$296,986 |
| RC | | | | | | | | |
| Subsistence-In-Kind (SIK) | \$31,281 | \$34,866 | \$118,064 | \$102,472 | \$70,847 | \$148,742 | \$142,732 | \$134,809 |
| Warfighter and Family Services | \$398 | \$27 | \$849 | \$11,211 | \$18,713 | \$22,810 | \$22,051 | \$22,590 |
| | \$0 | \$0 | \$0 | \$9,577 | \$16,501 | \$19,811 | \$19,606 | \$19,792 |
| | \$398 | \$27 | \$849 | \$1,634 | \$2,212 | \$2,999 | \$2,445 | \$2,798 |
| Grand Total | \$295,076 | \$325,055 | \$423,076 | \$429,883 | \$412,408 | \$516,432 | \$560,644 | \$506,309 |

Quality of Life, Air Force

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AC | | | | | | | | | |
| Family Housing | \$1,304,781 | \$1,202,425 | \$1,363,048 | \$1,284,279 | \$1,720,684 | \$1,824,068 | \$1,935,590 | \$2,148,059 | \$2,628,095 |
| Family Subsistence Supplemental Allowance | \$1,111,243 | \$1,016,030 | \$1,161,809 | \$1,070,501 | \$1,374,366 | \$1,540,074 | \$1,484,120 | \$1,711,743 | \$2,175,596 |
| Off-Duty and Voluntary Education (Education Assistance) | \$0 | \$0 | \$0 | \$55 | \$167 | \$1,177 | \$1,254 | \$1,254 | \$800 |
| Subsistence-In-Kind (SIK) | \$82,807 | \$82,327 | \$88,004 | \$93,869 | \$100,867 | \$94,925 | \$178,718 | \$184,806 | \$189,172 |
| Warfighter and Family Services | \$110,731 | \$104,068 | \$113,235 | \$119,854 | \$190,307 | \$146,806 | \$231,595 | \$211,486 | \$206,447 |
| RC | \$0 | \$0 | \$0 | \$0 | \$54,977 | \$41,086 | \$39,903 | \$38,770 | \$56,080 |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grand Total | \$1,304,781 | \$1,202,425 | \$1,363,048 | \$1,284,279 | \$1,720,684 | \$1,824,068 | \$1,935,590 | \$2,148,059 | \$2,628,095 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| AC | | | | | | | | | |
| Family Housing | \$2,487,601 | \$1,572,081 | \$1,633,368 | \$1,136,463 | \$1,261,901 | \$1,269,904 | \$1,157,121 | \$900,602 | |
| Family Subsistence Supplemental Allowance | \$2,017,561 | \$1,103,427 | \$1,127,689 | \$620,425 | \$709,391 | \$709,698 | \$648,800 | \$464,958 | |
| Off-Duty and Voluntary Education (Education Assistance) | \$22 | \$26 | \$16 | \$33 | \$34 | \$34 | \$3 | \$33 | |
| Subsistence-In-Kind (SIK) | \$201,532 | \$216,041 | \$220,693 | \$226,055 | \$232,746 | \$229,136 | \$214,563 | \$134,166 | |
| Warfighter and Family Services | \$212,406 | \$194,046 | \$219,559 | \$223,443 | \$238,178 | \$250,571 | \$222,666 | \$205,941 | |
| RC | \$56,080 | \$58,541 | \$65,411 | \$66,507 | \$81,552 | \$80,465 | \$71,089 | \$95,504 | |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$56,670 | \$52,203 | \$47,829 | \$14,898 | \$10,858 | |
| Warfighter and Family Services | \$0 | \$0 | \$0 | \$8,585 | \$8,569 | \$8,686 | \$8,092 | \$8,259 | |
| Grand Total | \$2,487,601 | \$1,572,081 | \$1,633,368 | \$1,193,133 | \$1,314,104 | \$1,317,733 | \$1,172,019 | \$911,460 | |

Quality of Life, Coast Guard

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------------|------|------|------|------|------|------|------|------|---------|
| AC | | | | | | | | | |
| Family & Unaccompanied Housing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,750 |
| Subsistence-In-Kind (SIK) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| All | \$4 | \$5 | \$5 | \$8 | \$8 | \$9 | \$12 | \$13 | \$5,750 |
| Commissary | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$13 |
| Dependent Education (DoDEA) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| DoD Dependent Schools (DoDDS) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Morale, Welfare, and Recreation (MWR) | \$4 | \$5 | \$5 | \$8 | \$8 | \$9 | \$12 | \$13 | \$13 |
| Grand Total | \$4 | \$5 | \$5 | \$8 | \$8 | \$9 | \$12 | \$13 | \$5,763 |

| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|---------|----------|----------|----------|----------|----------|----------|----------|
| AC | | | | | | | | |
| Family & Unaccompanied Housing | \$6,138 | \$16,019 | \$13,323 | \$13,312 | \$14,501 | \$16,728 | \$16,189 | \$10,099 |
| Subsistence-In-Kind (SIK) | \$0 | \$9,904 | \$9,402 | \$9,050 | \$8,272 | \$8,726 | \$9,400 | \$10,099 |
| All | \$6,138 | \$6,115 | \$3,921 | \$4,263 | \$6,229 | \$8,003 | \$6,790 | \$0 |
| Commissary | \$15 | \$3,662 | \$3,512 | \$3,820 | \$3,646 | \$3,545 | \$2,922 | \$2,718 |
| Dependent Education (DoDEA) | \$0 | \$2,442 | \$2,448 | \$2,461 | \$2,528 | \$2,607 | \$2,554 | \$2,700 |
| DoD Dependent Schools (DoDDS) | \$0 | \$1,205 | \$1,048 | \$1,343 | \$1,095 | \$921 | \$350 | \$0 |
| Morale, Welfare, and Recreation (MWR) | \$15 | \$1,205 | \$1,048 | \$1,343 | \$1,095 | \$921 | \$350 | \$0 |
| Grand Total | \$6,153 | \$19,682 | \$16,835 | \$17,132 | \$18,147 | \$20,273 | \$19,111 | \$12,817 |

Quality of Life, Veterans Affairs

| SK | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| VA: Burial | \$211,000 | \$211,000 | \$233,000 | \$249,000 | \$305,000 | \$339,000 | \$360,000 | \$333,000 | \$324,000 |
| VA: Compensation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| VA: Deductions for Offsetting Receipts | -\$12,000 | -\$6,600 | -\$6,000 | -\$1,800 | \$13,200 | \$37,800 | \$19,200 | -\$89,400 | -\$27,600 |
| VA: Departmental Administration | \$885,600 | \$993,600 | \$1,056,800 | \$1,227,600 | \$1,326,800 | \$1,462,800 | \$1,376,200 | \$1,585,400 | \$1,499,400 |
| VA: Education and Training | \$1,159,000 | \$956,000 | \$1,314,000 | \$1,642,000 | \$1,863,000 | \$2,002,000 | \$2,318,000 | \$2,604,000 | \$3,122,000 |
| VA: Housing Loans and Benefits | \$161,000 | \$160,000 | \$158,000 | \$163,000 | \$141,000 | \$147,000 | \$154,000 | \$153,000 | \$154,000 |
| VA: Information Technology | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,231,000 |
| VA: Insurance | \$51,000 | \$46,000 | \$29,000 | \$20,000 | \$26,000 | \$28,000 | \$32,000 | \$44,000 | \$46,000 |
| VA: Interest | -\$600 | -\$1,200 | -\$1,200 | -\$1,800 | -\$2,400 | -\$2,400 | -\$1,800 | -\$1,200 | -\$1,200 |
| VA: Pension | \$3,071,000 | \$3,085,000 | \$2,969,000 | \$3,018,000 | \$3,177,000 | \$3,300,000 | \$3,391,000 | \$3,294,000 | \$3,540,000 |
| Grand Total | \$5,526,000 | \$5,443,800 | \$5,752,600 | \$6,316,000 | \$6,849,600 | \$7,314,200 | \$7,648,600 | \$7,922,800 | \$9,887,600 |
| SK | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| VA: Burial | \$361,000 | \$432,000 | \$497,000 | \$461,000 | \$447,000 | \$464,000 | \$506,000 | \$532,000 | |
| VA: Compensation | \$0 | \$0 | \$198,000 | \$67,000 | \$0 | \$0 | \$0 | \$0 | |
| VA: Deductions for Offsetting Receipts | \$9,000 | -\$38,400 | -\$17,400 | -\$10,200 | \$11,400 | -\$55,200 | -\$37,200 | -\$27,000 | |
| VA: Departmental Administration | \$1,714,600 | \$1,964,600 | \$2,332,400 | \$2,246,400 | \$1,667,800 | \$2,421,400 | \$2,569,400 | \$2,871,000 | |
| VA: Education and Training | \$2,609,000 | \$3,108,000 | \$3,938,000 | \$8,638,000 | \$10,220,000 | \$11,959,000 | \$11,046,000 | \$12,986,000 | |
| VA: Housing Loans and Benefits | \$152,000 | \$155,000 | \$157,000 | \$165,000 | \$165,000 | \$155,000 | \$158,000 | \$158,000 | |
| VA: Information Technology | \$1,248,000 | \$2,358,000 | \$2,798,000 | \$3,302,000 | \$2,992,000 | \$3,104,000 | \$3,515,000 | \$3,696,000 | |
| VA: Insurance | \$50,000 | \$41,000 | \$48,000 | \$56,000 | \$78,000 | \$100,000 | \$105,000 | \$78,000 | |
| VA: Interest | -\$3,000 | -\$4,200 | -\$4,800 | -\$4,200 | -\$3,600 | -\$3,000 | -\$3,000 | -\$4,200 | |
| VA: Pension | \$3,690,000 | \$3,801,000 | \$4,155,000 | \$4,365,000 | \$4,644,000 | \$4,945,000 | \$4,841,000 | \$5,502,000 | |
| Grand Total | \$9,830,600 | \$11,817,000 | \$14,101,200 | \$19,286,000 | \$20,221,600 | \$23,090,200 | \$22,700,200 | \$25,791,800 | |

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION
INTERIM REPORT

Unfunded Liability Payments, Treasury

| \$K | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Amortization of Unfunded Retirement Liability | \$15,119,000 | \$15,250,000 | \$15,302,000 | \$16,089,000 | \$17,047,000 | \$17,928,000 | \$18,189,000 | \$21,358,000 | \$23,180,000 |
| Contribution to MERHCF | \$0 | \$0 | \$0 | \$0 | \$0 | \$14,369,000 | \$16,260,000 | \$15,721,000 | \$16,872,533 |
| Grand Total | \$15,119,000 | \$15,250,000 | \$15,302,000 | \$16,089,000 | \$17,047,000 | \$32,297,000 | \$34,449,000 | \$37,079,000 | \$40,052,533 |
| \$K | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Amortization of Unfunded Retirement Liability | \$26,048,000 | \$46,187,000 | \$51,125,000 | \$58,619,000 | \$61,404,000 | \$64,751,000 | \$67,733,000 | \$72,885,000 | |
| Contribution to MERHCF | \$15,886,704 | \$13,202,111 | \$10,917,305 | \$10,269,789 | \$10,050,321 | \$6,977,871 | \$6,343,610 | \$4,435,958 | |
| Grand Total | \$41,934,704 | \$59,389,111 | \$62,042,305 | \$68,888,789 | \$71,454,321 | \$71,728,871 | \$74,076,610 | \$77,320,958 | |

6.3. DATA SOURCES

MILITARY COMPENSATION AND RETIREMENT SOURCE DOCUMENTS DATA INFORMATION

| PORTFOLIO | COMPONENT Active Component (AC) Reserve Component (RC) | SOURCE | URL |
|---|--|---|---|
| CURRENT PAY | | | |
| 1. Basic Pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Incentive Pays, Special Pays, Allowances, Variable Housing Allowance, Other MILPers Costs | AC | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Components (AC). | http://comptroller.defense.gov/index.html |
| 2. Basic Pay, Basic Allowance for Quarters, Variable Housing Allowance, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Other MILPers Costs | RC | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Reserve Components (RC). | http://comptroller.defense.gov/index.html |
| RETIREMENT | | | |
| 1. Amortization of Unfunded Retirement Liability: On the www.gpo.gov use the President's Budget, Appendix, Other Defense-Civil Programs documents. | ALL | Use the President's Budget Appendix, Other Defense-Civil Programs documents. Trust Funds, Military Retirement Fund, Special and Trust Fund Receipts, 0242, Federal Contributions, Military Retirement Fund. | http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2011&isCollapsed=false&leafLevelBrowse=false&jsDocumentResults=true&ycoord=0 |
| 2. Concurrent Receipt (Treas Pmt into Fund): On the www.gpo.gov use the President's Budget, Appendix, Other Defense- Civil Programs documents. | ALL | Use the President's Budget Appendix, Other Defense-Civil Programs documents. Trust Funds, Military Retirement Fund, Special and Trust Fund Receipts, 0243, Federal Contributions, Military Retirement Fund. | http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2011&isCollapsed=false&leafLevelBrowse=false&jsDocumentResults=true&ycoord=0 |
| 3. Retired Pay Accrual, Separation Pay, and Social Security Tax | AC | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Components (AC). | http://comptroller.defense.gov/index.html |

MILITARY COMPENSATION AND RETIREMENT SOURCE DOCUMENTS DATA INFORMATION

| PORTFOLIO | COMPONENT | SOURCE | URL |
|---|---|--|---|
| | Active Component (AC) Reserve Component (RC) | | |
| 4. Retired Pay Accrual | | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Reserve Components (RC). | http://comptroller.defense.gov/index.html |
| HEALTH CARE | | | |
| 1. Defense Health Program: <u>Direct Care</u> : In-House Care | ALL | Use the Defense Health Program O & M budgets FY 1998 through FY 2014 located on the OUSDC public website. | http://comptroller.defense.gov/index.html |
| 2. Defense Health Program: <u>Purchased Care</u> : Private Sector Care | ALL | Use the Defense Health Program O & M budgets FY 1998 through FY 2014 located on the OUSDC public website. | http://comptroller.defense.gov/index.html |
| 3. Defense Health Program: <u>Military Construction</u> : Column H, Medical Military Construction | AC | Use the Defense Health Program Historical Budget FY 1993 – FY 2013 spreadsheet provided by the MP&C Directorate. | http://comptroller.defense.gov/index.html |
| 4. Retiree > 65 (MERHCF/ DHP Accrual): Defense Health Program Accrual , for FY 2003 - FY 2005 | AC and RC | Use the Military Personnel Programs (M-1) budgets FY 2005 through FY 2007 located on the OUSDC public website for the Active Component (AC) and Reserve Component (RC). The Services didn't start depositing into the fund for Defense Health Program Accrual/ MERHCF until FY 2003. | http://comptroller.defense.gov/index.html |
| 5. Retiree > 65 (MERHCF Accrual): Accounts 1000 – 1009, for FY 2006 - FY 2014 | AC and RC | Use the Military Personnel Programs (M-1) budgets FY 2006 through FY 2014 located on the OUSDC public website for the Active Component (AC) and Reserve Component (RC). The account named changed in FY 2006. | http://comptroller.defense.gov/index.html |

MILITARY COMPENSATION AND RETIREMENT SOURCE DOCUMENTS DATA INFORMATION

| PORTFOLIO | COMPONENT | SOURCE | URL |
|---|---|--|---|
| | Active Component (AC) Reserve Component (RC) | | |
| 6. Contribution to MERHCF: Other Defense-Civil Programs | ALL | Use the President's Budget Appendix, Other Defense-Civil Programs documents. Retiree Health Care, Federal Funds, Special and Trust Fund Receipts, 0245, Federal Contributions: DoD Medicare-Eligible Retiree Health Care Fund. | http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2011&isCollapsed=false&leafLevelBrowse=false&isDocumentResults=true&vcard=0 |
| 7. Veterans Affairs (VA): Health Care, Departmental Administration, Deductions for Offsetting Receipts, and Interest. | ALL | Use the budget of the United States Government, Public Budget Database, Budget Authority on the U.S. Government Printing Office website. | http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2015&leafLevelBrowse=false&isCollapsed=false&isOpen=true&packageId=BUDGET-2015-DB&vcard=581 |

QUALITY OF LIFE

| | | | |
|--|-----|--|---|
| 1. Child and Youth Services: Use the Exhibit OP-34, Appropriated Fund Support for MWR. | ALL | Use the Operation and Maintenance Program (O&M) budgets FY 1998 through FY 2014 Data Books located on the OUSDC public website. | http://comptroller.defense.gov/index.html |
| 2. Commissary Services, Operations: Direct Appropriation, 493004D Working Capital Fund, DeCA | ALL | Use the Revolving and Management Funds (R-1) budgets and the Defense Commissary Agency (DeCA) budgets FY 1998 through FY 2014 located on the OUSDC public website. | http://comptroller.defense.gov/index.html |
| 3. Commissary Services, Procurement: Procurement Programs (P-1), DeCA | ALL | Use the Procurement Programs (P-1) budgets FY 1998 through FY 2014 located on the OUSDC public website. | http://comptroller.defense.gov/index.html |

MILITARY COMPENSATION AND RETIREMENT SOURCE DOCUMENTS DATA INFORMATION

| PORTFOLIO | COMPONENT | SOURCE | URL |
|--|---|--|-----|
| | Active Component (AC) Reserve Component (RC) | | |
| 4. Commissary Services, Construction: Congressional Conference Reports, DeCA | ALL | Use the Congressional Military Construction Conference Reports FY 1998 through FY 2014 located on the Pentagon Library Intranet public website. http://vhs.mil/campusguides.com/content.php?pid=321436&sid=2631619 | |
| 5. Department of Defense Education Activity (DoDEA): Operations, DoD Dependent Schools (DoDDS), DoD Domestic Dependent Elementary and Secondary Schools (DDESS), and the DoD Supplemental to Impact Aid. | ALL | Use the Department of Defense Education Activity (DoDEA) budgets FY 1998 through FY 2014 located on the OUSDC public website. Also, use the DoDEA_Impact_Aid_Budget_Summary-25Oct2013 spreadsheet. http://comptroller.defense.gov/index.html | |
| 6. Department of Defense Education Activity (DoDEA) and Department of Defense Dependent Education (DoDDE), Procurement: Procurement Programs (P-1), DoDEA and DoDDE | ALL | Use the Procurement Programs (P-1) budgets FY 1998 through FY 2014 located on the OUSDC public website. http://comptroller.defense.gov/index.html | |
| 7. Department of Defense Education Activity (DoDEA) and Department of Defense Dependent Education (DoDDE), Construction: Construction Programs (C-1), DoDEA and DoDDE | ALL | Use the Construction Programs (C-1) budgets FY 1998 through FY 2014 located on the OUSDC public website. http://comptroller.defense.gov/index.html | |
| 8. Education Assistance (Off-Duty and Voluntary Education): Budget Activity (BA) 03. | AC | Use the Operation and Maintenance Programs (O-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Components (AC). http://comptroller.defense.gov/index.html | |
| 9. Child Education (Dept. of Education, Impact Aid): National Association of Federally Impacted Schools (NAFIS). | ALL | Use the historical budget data FY 1998 – FY 2014 on the Department of Education website. http://www2.ed.gov/about/overview/budget/index.html?src=ln | |
| 10. Military Family Housing: Family Housing sections for the Army, Navy, Marine Corps, Air Force, Defense-Wide, Family Housing Improvement Fund (HIF), and the Homeowners Asst Fund (HAF). | AC and Defense Agencies | Use the Military Construction Programs (C-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Components (AC) and the Defense Agencies. http://comptroller.defense.gov/index.html | |

MILITARY COMPENSATION AND RETIREMENT SOURCE DOCUMENTS DATA INFORMATION

| PORTFOLIO | COMPONENT | SOURCE | URL |
|--|---|--|---|
| | Active Component (AC) Reserve Component (RC) | | |
| 11. Morale, Welfare, and Recreation (MWR): Use the Exhibit OP-34, Appropriated Fund Support for MWR. | ALL | Use the Operation and Maintenance Program (O&M) budgets FY 1998 through FY 2014 Data Books located on the OUSDC public website. | http://comptroller.defense.gov/index.html |
| 12. Family Subsistence Supplemental Allowance: Budget Activity 04, Account 121. | AC | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Components (AC). | http://comptroller.defense.gov/index.html |
| 13. Subsistence In Kind (SIK): Use Exhibit PB-300, Summary of Basic Allowance for Subsistence (BAS) and Subsistence In Kind (SIK), (RC). Subsistence In Kind (SIK): Budget Activity 04, Account 120, (AC). | AC and RC | Use the Military Personnel Programs (M-1) budgets FY 1998 through FY 2014 located on the OUSDC public website for the Active Component (AC) and Reserve Component (RC). | http://comptroller.defense.gov/index.html |
| 14. Warfighter and Family Services: Use Exhibit OP-34, Fund Support for Selected Quality of Life Activities. | AC and RC | Use the Operation and Maintenance (O&M) budgets, Justification Books FY 1998 through FY 2014 located on the OUSDC public website Active Components (AC) and Reserve Components (RC). | http://comptroller.defense.gov/index.html |
| 15. Veteran Affairs (VA): Departmental Administration, Burial, Compensation, Education and Training, Housing Loans and Benefits, Insurance, Pension, Deductions for Offsetting Receipts, Interest, and Information Technology. | ALL | Use the budget of the United States Government, Public Budget Database, Budget Authority on the U.S. Government Printing Office website. | http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2015&leafLevelBr+2015&searchPath=Fiscal+Year+2015&leafLevelBrowse=false&isCollapsed=false&isOpen=true&packageid=BUDGET-2015-DB&ycord=581 |

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“Commissioned Corps of the U.S. Public Health Service, Management Information System,” United States Department of Health and Human Services, accessed May 9, 2014, http://dcp.psc.gov/CCMIS/StatusCharts/Public_Pivot.aspx. Using the radio

buttons on this link provides a view of the current force size of the U.S. Public Health Service (USPHS). USPHS does not maintain a historical record of end strength.

USCG staff, United States Coast Guard, e-mail to MCRMC staff, May 13, 2014.

6.5. MILITARY BASIC PAY TABLES

| BASIC PAY—EFFECTIVE JANUARY 1, 2014 | | | | | | | | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| Pay Grade | 2 or less | Over 2 | Over 3 | Over 4 | Over 6 | Over 8 | Over 10 | Over 12 | Over 14 | Over 16 | Over 18 | |
| O-10 ¹ | | | | | | | | | | | | |
| O-9 ¹ | | | | | | | | | | | | |
| O-8 ¹ | 9,946.20 | 10,272.00 | 10,488.30 | 10,548.60 | 10,818.60 | 11,269.20 | 11,373.90 | 11,802.00 | 11,924.70 | 12,293.40 | 12,827.10 | |
| O-7 ¹ | 8,264.40 | 8,648.40 | 8,826.00 | 8,967.30 | 9,222.90 | 9,475.80 | 9,767.70 | 10,059.00 | 10,351.20 | 11,269.20 | 12,043.80 | |
| O-6 ¹ | 6,125.40 | 6,729.60 | 7,171.20 | 7,171.20 | 7,198.50 | 7,507.20 | 7,547.70 | 7,547.70 | 7,976.70 | 8,735.10 | 9,180.30 | |
| O-5 ¹ | 5,106.60 | 5,752.50 | 6,150.60 | 6,225.60 | 6,474.30 | 6,622.80 | 6,949.50 | 7,189.50 | 7,499.70 | 7,974.00 | 8,199.30 | |
| O-4 ¹ | 4,405.80 | 5,100.30 | 5,440.80 | 5,516.40 | 5,832.30 | 6,171.00 | 6,593.10 | 6,921.30 | 7,149.60 | 7,280.70 | 7,356.60 | |
| O-3 ¹ | 3,873.90 | 4,391.40 | 4,739.70 | 5,167.80 | 5,415.30 | 5,687.10 | 5,862.60 | 6,151.50 | 6,302.40 | 6,302.40 | 6,302.40 | |
| O-2 ¹ | 3,347.10 | 3,812.10 | 4,390.50 | 4,538.70 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | |
| O-1 ¹ | 2,905.20 | 3,024.00 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | |
| O-3 ² | | | | 5,167.80 | 5,415.30 | 5,687.10 | 5,862.60 | 6,151.50 | 6,395.40 | 6,535.50 | 6,726.00 | |
| O-2 ² | | | | 4,538.70 | 4,632.30 | 4,779.90 | 5,028.60 | 5,220.90 | 5,364.30 | 5,364.30 | 5,364.30 | |
| O-1 ² | | | | 3,655.50 | 3,903.30 | 4,047.90 | 4,195.20 | 4,340.10 | 4,538.70 | 4,538.70 | 4,538.70 | |
| W-5 | | | | | | | | | | | | |
| W-4 | 4,003.50 | 4,306.50 | 4,429.80 | 4,551.60 | 4,761.00 | 4,968.30 | 5,178.00 | 5,493.90 | 5,770.50 | 6,033.90 | 6,249.30 | |
| W-3 | 3,655.80 | 3,808.20 | 3,964.50 | 4,015.80 | 4,179.60 | 4,501.80 | 4,837.20 | 4,995.00 | 5,177.70 | 5,366.10 | 5,704.50 | |
| W-2 | 3,234.90 | 3,540.90 | 3,635.40 | 3,699.90 | 3,909.90 | 4,236.00 | 4,397.40 | 4,556.40 | 4,751.10 | 4,902.90 | 5,040.60 | |
| W-1 | 2,839.80 | 3,145.20 | 3,227.40 | 3,401.10 | 3,606.60 | 3,909.30 | 4,050.60 | 4,247.70 | 4,442.40 | 4,595.40 | 4,735.80 | |
| E-9 ⁴ | | | | | | | 4,836.90 | 4,946.40 | 5,084.70 | 5,246.70 | 5,411.10 | |
| E-8 | | | | | | 3,959.40 | 4,134.30 | 4,242.90 | 4,372.80 | 4,513.80 | 4,767.60 | |
| E-7 | 2,752.50 | 3,004.20 | 3,119.10 | 3,271.50 | 3,390.60 | 3,594.90 | 3,709.80 | 3,914.40 | 4,084.20 | 4,200.30 | 4,323.90 | |
| E-6 | 2,380.80 | 2,619.60 | 2,735.10 | 2,847.60 | 2,964.90 | 3,228.60 | 3,331.50 | 3,530.40 | 3,591.30 | 3,635.70 | 3,687.30 | |
| E-5 | 2,181.00 | 2,327.40 | 2,440.20 | 2,555.10 | 2,734.50 | 2,922.30 | 3,076.20 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | |
| E-4 | 1,999.50 | 2,101.80 | 2,215.80 | 2,328.00 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | |
| E-3 | 1,805.40 | 1,918.80 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | |
| E-2 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | |
| E-1 ⁵ | 1,531.50 | | | | | | | | | | | |

Notes:

- Basic pay for an O-7 to O-10 is limited by Level II of the Executive Schedule which is \$15,125.10. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is \$12,266.70.
- While serving as Chairman, Joint Chief of Staff/Vice Chairman, Joint Chief of Staff, Chief of Navy Operations, Commandant of the Marine Corps, Army/Air Force Chief of Staff, Commander of a unified or specified combatant command, basic pay is \$21,147.70. (See note 1 above).
- Applicable to O-1 to O-3 with at least 4 years and 1 day of active duty or more than 1460 points as a warrant and/or enlisted member. See Department of Defense Financial Management Regulations for more detailed explanation on who is eligible for this special basic pay rate.
- For the Master Chief Petty Officer of the Navy, Chief Master Sergeant of the AF, Sergeant Major of the Army or Marine Corps or Senior Enlisted Advisor of the JCS, basic pay is \$7,816.20. Combat Zone Tax Exclusion for O-1 and above is based on this basic pay rate plus Hostile Fire Pay/Imminent Danger Pay which is \$225.00.
- Applicable to E-1 with 4 months or more of active duty. Basic pay for an E-1 with less than 4 months of active duty is \$1,416.30.
- Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is \$1,017.00.

BASIC PAY—EFFECTIVE JANUARY 1, 2014

| Pay Grade | Over 20 | Over 22 | Over 24 | Over 26 | Over 28 | Over 30 | Over 32 | Over 34 | Over 36 | Over 38 | Over 40 |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| O-10 ¹ | 16,072.20 | 16,150.50 | 16,486.80 | 17,071.50 | 17,071.50 | 17,925.30 | 17,925.30 | 18,821.10 | 18,821.10 | 19,762.50 | 19,762.50 |
| O-9 ¹ | 14,056.80 | 14,259.90 | 14,552.10 | 15,062.40 | 15,062.40 | 15,816.00 | 15,816.00 | 16,606.80 | 16,606.80 | 17,436.90 | 17,436.90 |
| O-8 ¹ | 13,319.10 | 13,647.30 | 13,647.30 | 13,647.30 | 13,647.30 | 13,989.00 | 13,989.00 | 14,338.50 | 14,338.50 | 14,338.50 | 14,338.50 |
| O-7 ¹ | 12,043.80 | 12,043.80 | 12,043.80 | 12,105.60 | 12,105.60 | 12,347.70 | 12,347.70 | 12,347.70 | 12,347.70 | 12,347.70 | 12,347.70 |
| O-6 ² | 9,625.20 | 9,878.40 | 10,134.60 | 10,632.00 | 10,632.00 | 10,844.10 | 10,844.10 | 10,844.10 | 10,844.10 | 10,844.10 | 10,844.10 |
| O-5 | 8,422.20 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 | 8,675.70 |
| O-4 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 | 7,356.60 |
| O-3 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 | 6,302.40 |
| O-2 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 | 4,632.30 |
| O-1 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 | 3,655.50 |
| O-3 ³ | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 | 6,726.00 |
| O-2 ³ | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 | 5,364.30 |
| O-1 ³ | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 | 4,538.70 |
| W-5 | 7,118.40 | 7,479.60 | 7,748.40 | 8,046.30 | 8,046.30 | 8,448.90 | 8,448.90 | 8,871.00 | 8,871.00 | 9,315.00 | 9,315.00 |
| W-4 | 6,459.30 | 6,768.00 | 7,021.80 | 7,311.00 | 7,311.00 | 7,457.10 | 7,457.10 | 7,457.10 | 7,457.10 | 7,457.10 | 7,457.10 |
| W-3 | 5,933.10 | 6,069.90 | 6,215.40 | 6,413.10 | 6,413.10 | 6,413.10 | 6,413.10 | 6,413.10 | 6,413.10 | 6,413.10 | 6,413.10 |
| W-2 | 5,205.30 | 5,313.60 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 | 5,399.70 |
| W-1 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 | 4,906.80 |
| E-9 ⁴ | 5,673.60 | 5,895.60 | 6,129.30 | 6,486.90 | 6,486.90 | 6,810.90 | 6,810.90 | 7,151.70 | 7,151.70 | 7,509.60 | 7,509.60 |
| E-8 | 4,896.30 | 5,115.30 | 5,236.80 | 5,535.90 | 5,535.90 | 5,647.20 | 5,647.20 | 5,647.20 | 5,647.20 | 5,647.20 | 5,647.20 |
| E-7 | 4,371.60 | 4,532.40 | 4,618.50 | 4,946.70 | 4,946.70 | 4,946.70 | 4,946.70 | 4,946.70 | 4,946.70 | 4,946.70 | 4,946.70 |
| E-6 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 | 3,687.30 |
| E-5 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 | 3,094.80 |
| E-4 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 | 2,427.30 |
| E-3 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 | 2,034.90 |
| E-2 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 | 1,716.90 |

Notes:

1. Basic pay for an O-7 to O-10 is limited by Level II of the Executive Schedule which is \$15,125.10. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is \$12,266.70.
2. While serving as Chairman, Joint Chief of Staff/Vice Chairman, Joint Chief of Staff, Chief of Navy Operations, Commandant of the Marine Corps, Army/Air Force Chief of Staff, Commander of a unified or specified combatant command, basic pay is \$21,147.70. (See note 1 above).
3. Applicable to O-1 to O-3 with at least 4 years and 1 day of active duty or more than 1460 points as a warrant and/or enlisted member. See Department of Defense Financial Management Regulations for more detailed explanation on who is eligible for this special basic pay rate.
4. For the Master Chief Petty Officer of the Navy, Chief Master Sergeant of the AF, Sergeant Major of the Army or Marine Corps or Senior Enlisted Advisor of the JCS, basic pay is \$7,816.20. Combat Zone Tax Exclusion for O-1 and above is based on this basic pay rate plus Hostile Fire Pay/Imminent Danger Pay which is \$225.00.
5. Applicable to E-1 with 4 months or more of active duty. Basic pay for an E-1 with less than 4 months of active duty is \$1,416.30.
6. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is \$1,017.00.

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APPENDIX A: ACRONYM LIST

| ACRONYM | DEFINITION |
|---------------|--|
| A&A | Aid and Attendance |
| AAFES | Army and Air Force Exchange Service |
| ABC | Alcohol Beverage Control |
| ACAP | Army Career and Alumni Program |
| ACE | American Council on Education |
| ADA | Average Daily Attendance |
| ADFM | Active-Duty Family Member |
| AFI | Air Force Instruction |
| AFQT | Armed Forces Qualifications Test |
| AFRC | Armed Forces Recreation Center |
| AFRH | Armed Forces Retirement Home |
| AFSVA | Air Force Services Agency |
| AGR | Active Guard and Reserve |
| AIFA | Army and Air Force Exchange Service Imprest Fund Activity |
| AIP | Assignment Incentive Pay |
| AOR | Area of Responsibility |
| APF | Appropriated Funds |
| AR | Army Regulation |
| ARC | American Red Cross |
| ASD | Autism Spectrum Disorder |
| ASVAB | Armed Services Vocational Aptitude Battery |
| ASYMCA | Armed Services Young Men's Christian Association |
| B&GCA | Boys & Girls Clubs of America |
| BAH | Basic Allowance for Housing |
| BAH II (RC/T) | Basic Allowance for Housing II (Reserve Component/Transit) |
| BAH-DIFF | Basic Allowance for Housing-Differential |
| BAQ | Basic Allowance for Quarters (merged with VHA in 1998 to become BAH) |
| BAS | Basic Allowance for Subsistence |
| BCA | Budget Control Act of 2011 |
| BEQ | Bachelor Enlisted Quarters |

| ACRONYM | DEFINITION |
|-----------|---|
| BOQ | Bachelor Officer Quarters |
| BRAC | Base Realignment and Closure (now known as Large-Scale Rebasing) |
| BX | Base Exchange |
| CBO | Congressional Budget Office |
| CCAF | Community College of the Air Force |
| CDC | Child Development Center |
| CDH | Child Development Home |
| CDP | Child Development Program |
| CDS | Child Development Services |
| CEB | Cooperative Efforts Board |
| CEU | Continuing Education Unit |
| CFS | Command Financial Specialist |
| CGDF | Coast Guard Dining Facility |
| CGES | Coast Guard Exchange Service |
| CGFAP | Coast Guard Family Advocacy Program |
| CGMA | Coast Guard Mutual Assistance |
| CGX | Coast Guard Exchange |
| CHAMPUS | Civilian Health and Medical Program of the Uniformed Services |
| CHAMPVA | Civilian Health and Medical Program of the Department of Veterans Affairs |
| CHCB | Continued Health Care Benefit |
| CNIC | Commander, Navy Installations Command |
| COBRA | Consolidated Omnibus Budget Reconciliation Act |
| COLA | Cost of Living Adjustment |
| COLA | Cost of Living Allowance |
| COMDTINST | Commandant Instruction (U.S. Coast Guard) |
| CONUS | Continental United States |
| CPI | Consumer Price Index |
| CPI-W | Consumer Price Index for Urban Wage Earners and Clerical Workers |
| CRDP | Concurrent Retirement and Disability Pay |
| CRI | CHAMPUS Reform Initiative |
| CRS | Career Readiness Standards |

| ACRONYM | DEFINITION |
|---------|--|
| CRSC | Combat-Related Special Compensation |
| CSB | Career Status Bonus |
| CSC | Community Services Command (U.S. Coast Guard) |
| CSS | Consolidated School Support |
| CTUS | Customs Territories of the United States |
| CWSD | Children with Severe Disabilities |
| CWVV | Children of Women Vietnam Veterans |
| CYSS | Child, Youth, and School Services |
| DANTES | Defense Activities for Non-Traditional Education Support |
| DDESS | Domestic Dependents Elementary and Secondary Schools |
| DEA | Dependents Educational Assistance |
| DeCA | Defense Commissary Agency |
| DEERS | Defense Enrollment Eligibility Reporting System |
| DFAS | Defense Finance and Accounting Service |
| DHA | Defense Health Agency |
| DHP | Defense Health Program |
| DHS | U.S. Department of Homeland Security |
| DIC | Dependency and Indemnity Compensation |
| DoD | Department of Defense |
| DoDD | DoD Directive |
| DoDDS | DoD Dependents Schools |
| DoDDS-E | DoD Dependents Schools – Europe |
| DoDDS-P | DoD Dependents Schools – Pacific |
| DoDEA | DoD Education Activity |
| DoDI | DoD Instruction |
| DOJ | U.S. Department of Justice |
| DOL | U.S. Department of Labor |
| DOLEW | Department of Labor Employment Workshop |
| DOX-T | Direct Operation Exchange-Tactical |
| DSE | Deployable Support Exchange |
| DTF | Dental Treatment Facility |
| DTM | Directive-Type Memorandum |
| DTS | Defense Transportation System |

ACRONYM

DEFINITION

| | |
|---------|--|
| DVOP | Disabled Veterans' Outreach Program |
| DVQ | Distinguished Visitor Quarters |
| DWCF | DeCA Working Capital Fund |
| EAFE | Europe, Australasia, Far East |
| EBV | Entrepreneurial Boot Camp for Veterans with Disabilities |
| ECHO | Extended Care Health Option |
| ECI | Employment Cost Index |
| ED | U.S. Department of Education |
| EFA | Emergency Family Assistance |
| EFAC | Emergency Family Assistance Center |
| EFC | Expected Family Contribution |
| EFMP | Exceptional Family Member Program |
| EIFA | Exchange Imprest Fund Activity |
| EIP | Employment Initiative Program |
| EITC | earned income tax credit |
| EMIC | Emergency Maternal and Infant Care Program |
| EML | Environment and Morale Leave |
| ENL BAS | Enlisted Basic Allowance for Subsistence |
| EPP | Educational Partnership Program |
| ESEA | Elementary and Secondary Education Act (of 1965) |
| ESGR | Employer Support of the Guard and Reserve |
| FAC | Family Assistance Center (National Guard) |
| FAP | Family Advocacy Program |
| FCC | Family Child Care |
| FCCH | Family Child Care Home |
| FDA | Food and Drug Administration |
| FEHBP | Federal Employees Health Benefits Plan |
| FHIF | Family Housing Improvement Fund |
| FICA | Federal Insurance Contributions Act |
| FMP | Foreign Medical Program |
| FMR | Financial Management Regulation |
| FNR | Fleet Naval Reserve |
| FRS | Family Readiness System |

| ACRONYM | DEFINITION |
|---------|--|
| FRTIB | Federal Retirement Thrift Investment Board |
| FSGLI | Family Servicemembers' Group Life Insurance |
| FSSA | Family Subsistence Supplemental Allowance |
| FTI | Food Transformation Initiative |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GDP | Gross Domestic Product |
| H2H | Hero 2 Hired |
| HAP | Homeowner Assistance Program |
| HDP | Hardship Duty Pay |
| HFVWWF | Homeless Female Veterans and Homeless Veterans with Families |
| HI | Health Insurance |
| High-36 | also known as High-3 |
| HMO | Health Maintenance Organization |
| HOH | Hiring our Heroes |
| HQ | Headquarters |
| HQDA | Headquarters, Department of the Army |
| HRMA | Housing Requirements and Market Analysis |
| HSWL | Health, Safety, and Work-Life |
| HUD | U.S. Department of Housing and Urban Development |
| HVRP | Homeless Veterans' Reintegration Project |
| I&R | Information and Referral |
| IDEA | Individuals with Disabilities Act |
| IDT | Inactive-Duty Training |
| IMCOM | Installation Management Command |
| IR | Information and Referral |
| IRC | Internal Revenue Code |
| IRR | Individual Ready Reserve |
| ITP | Individual Transition Plan |
| ITT | Information, Tickets, and Tours |
| IU | Individual Unemployability |
| JFSAP | Joint Family Support Assistance Program |
| JFTR | Joint Federal Travel Regulation |

| ACRONYM | DEFINITION |
|---------|---|
| JSF | Joint Service Facility |
| JST | Joint Services Transcript |
| JTR | Joint Travel Regulation |
| JVSG | Jobs for Veterans State Grants |
| LEA | Local Educational Agency |
| LOT | Learning Opportunity Threshold |
| LRP | Loan Repayment Program |
| LVER | Local Veterans' Employment Representative |
| MAB | Medical Affairs Branch (USPHS) |
| MCCA | Military Child Care Act |
| MCCS | Marine Corps Community Services |
| MCO | Marine Corps Order |
| MCRMC | Military Compensation and Retirement Modernization Commission |
| MCSS | Military Clothing Sales Store |
| MCX | Marine Corps Exchange |
| MF | Marine and Family Programs Division (USMC) |
| MFE | Mobile Field Exchange |
| MFLC | Military and Family Life Consultant (Program) |
| MFR | Military Retirement Fund |
| MFS | Marine and Family Services Program Division |
| MGIB | Montgomery GI Bill |
| MHA | Military Housing Area |
| MHS | Military Health System |
| MHO | Military Housing Office |
| MHPI | Military Housing Privatization Initiative |
| MHS | Military Health System |
| MIA | Missing in Action |
| MILCON | Military Construction |
| MOC | Military Operational Code |
| MOS | Military OneSource |
| MOU | Memorandum of Understanding |
| MR | Semper Fit and Exchange Services Division (USMC) |
| MRF | Military Retirement Fund |

| ACRONYM | DEFINITION |
|---------|---|
| MSEP | Military Spouse Employment Partnership |
| MSRC | Military Service Recreation Center |
| MTF | Military Treatment Facility |
| MWR | Morale, Welfare, and Recreation |
| MWR | Morale, Well-Being, and Recreation (U.S. Coast Guard) |
| NAF | Non-Appropriated Funds |
| NAFI | Non-Appropriated Fund Instrumentalities |
| NCA | National Cemetery Administration |
| NCESGR | National Committee for Employer Support of the Guard and Reserve |
| NCP | Normal Cost Percentage |
| NCTRF | Navy Clothing and Textile Research Facility |
| NDAA | National Defense Authorization Act |
| NDRI | National Defense Research Institute |
| NDSL | National Direct Student Loan |
| NDSP | Non-DoD Schools Program |
| NEO | Noncombatant Evacuation Operations |
| NEX | Navy Exchange |
| NEXCOM | Navy Exchange Service Command |
| NOAA | National Oceanic and Atmospheric Administration |
| NPSP | New Parent Support Program |
| NSLI | National Service Life Insurance |
| NSSO | Navy Ship's Store Office |
| NVTI | National Veterans' Training Institute |
| O&M | Operation and Maintenance |
| OASDI | Old-Age, Survivor and Disability Insurance |
| OASVET | Office of the Assistant Secretary for Veterans' Employment and Training |
| OCO | Overseas Contingency Operations |
| OCONUS | Outside the Continental United States |
| OCS | Officer Candidate School |
| OFF BAS | Officer Basic Allowance for Subsistence |
| OHA | Overseas Housing Allowance |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |

| ACRONYM | DEFINITION |
|------------|---|
| OPNAVINST | Office of the Chief of Naval Operations Instruction |
| OSC | Office of Special Counsel |
| OSHA | Occupational Safety and Health Administration |
| OUSD(P&R) | Office of the Under Secretary of Defense for Personnel and Readiness |
| OVBD | Office of Veterans Business Development (Small Business Administration) |
| P&R | Personnel and Readiness |
| P&T | Pharmacy and Therapeutics |
| PADD | Person Authorized to Direct Disposition |
| PAL | Privatized Army Lodging |
| PB15 | President's Budget for FY 2015 |
| PBS | Program Baseline Standards |
| PCM | Primary Care Manager |
| PCS | Permanent Change of Station |
| PDP | Prescription Drug Plans |
| PDUSD(P&R) | Principal Deputy Under Secretary of Defense for Personnel and Readiness |
| PFM | Personal Financial Management |
| PFMP | Personal Financial Management Program |
| PHS | Public Health Service |
| PLUS | Parent Loans for Undergraduate Students |
| PNOK | Primary Next of Kin |
| POS | Point-of-Service |
| POW | Prisoner of War |
| PPO | Preferred Provider Organization |
| PX | Post Exchange |
| QoL | Quality of Life |
| RC | Reserve Component |
| RCSBP | Reserve Component Survivor Benefit Program |
| REAP | Reserve Education Assistance Program |
| REDUX | REDUX Retirement System |
| RMC | Regular Military Compensation |
| ROTC | Reserve Officer Training Corps |

| ACRONYM | DEFINITION |
|---------|---|
| RPP | Rental Partnership Program |
| RSFPP | Retired Servicemen's Family Protection Plan |
| S&P 500 | Standard and Poor's 500 (stock market index) |
| SAC | School-Age Care |
| SAC | Special Arrangement Contracts |
| SAH | Specially Adapted Housing |
| SB | Spina Bifida |
| SBA | Small Business Administration |
| SBP | Survivor Benefit Plan |
| SBP-DIC | Survivor Benefit Plan-Dependency and Indemnity Compensation |
| SCAADL | Special Compensation for Assistance with Activities of Daily Living |
| SCRA | Servicemembers Civil Relief Act |
| SDT | Second Destination Transportation |
| S-DVI | Service-Disabled Veteran's Life Insurance |
| SECO | Spouse Education and Career Opportunities |
| SELRES | Selected Reserve |
| SES | Senior Executive Service |
| SGLI | Servicemembers' Group Life Insurance |
| SHAD | Shipboard Hazard and Defense |
| SIK | Subsistence-in-Kind |
| SNAP | Supplemental Nutrition Assistance Program |
| SOC | Servicemembers Opportunity Colleges |
| SOFA | Status of Forces Agreement |
| Space-A | Space Available Travel |
| SSIA | Special Survivor Indemnity Allowance |
| SY | School Year |
| TA | Tuition Assistance |
| TAD | Temporary Additional Duty |
| TAMP | Transition Assistance Management Program |
| TAP | Transition Assistance Program |
| TC | Transitional Compensation |
| TDP | TRICARE Dental Plan |
| TDY | Temporary Duty |

| ACRONYM | DEFINITION |
|----------------|--|
| TFE | Tactical Field Exchanges |
| TFF | Total Force Fitness |
| TFI | Total Family Income |
| TFL | TRICARE For Life |
| TLF | Temporary Lodging Facility |
| TPO | TRICARE Prime Overseas |
| TPR | TRICARE Prime Remote |
| TPRO | TRICARE Prime Remote Overseas |
| Transition GPS | Transition Goals, Plans, and Success |
| TRR | TRICARE Retired Reserve |
| TRS | TRICARE Reserve Select |
| TSGLI | Servicemembers' Group Life Insurance Traumatic Injury Protection |
| TSP | Thrift Savings Plan |
| TSP L | Thrift Savings Plan Lifecycle Funds |
| TTT | Troops to Teachers |
| TUHP | Transient Unaccompanied Personnel Housing |
| TYA | TRICARE Young Adult |
| U.S.C. | United States Code |
| UCMJ | Uniform Code of Military Justice |
| UCX | Unemployment Compensation for Ex-Servicemembers |
| UH | Unaccompanied Housing |
| UPH | Unaccompanied Personnel Housing |
| USAF | U.S. Air Force |
| USCG | U.S. Coast Guard |
| USD(P&R) | Under Secretary of Defense for Personnel and Readiness |
| USDA | U.S. Department of Agriculture |
| USERRA | Uniformed Services Employment and Reemployment Rights Act of 1994 |
| USFHP | US Family Health Plan (formerly Uniformed Services Family Health Plan) |
| USGLI | United States Government Life Insurance |
| USO | United Service Organizations |
| USPHS | U.S. Public Health Service |
| USTF | Uniformed Services Treatment Facility |

| ACRONYM | DEFINITION |
|---------|--|
| VA | U.S. Department of Veterans Affairs |
| VADIP | Veteran Affairs Dental Insurance Program |
| VANF | Veterans Affairs National Formulary |
| VASRD | Veterans Affairs Schedule of Rating Disabilities |
| VAT | Value Added Tax |
| VBA | Veterans Benefits Administration |
| VCS | Veteran Canteen Service |
| VEAP | Veterans Educational Assistance Program |
| VEITF | Veterans Employment Initiative Task Force |
| VETS | Veterans' Employment and Training Service |
| VGLI | Veterans' Group Life Insurance |
| VHA | Variable Housing Allowance (merged with BAQ in 1998 to become BAH) |
| VHA | Veterans Health Administration |
| VI&I | Veterans Insurance and Indemnities |
| VISN | Veterans Integrated Service Network |
| VMLI | Veterans' Mortgage Life Insurance |
| VOQ | Visiting Officer Quarters |
| VOW | Veterans Opportunity to Work |
| VR&E | Vocational Rehabilitation and Employment |
| VRI | Veterans' Reopened Insurance |
| VSLI | Veterans' Special Life Insurance |
| VWIP | Veterans Workforce Investments Program |
| V-WISE | Women Veterans Igniting the Spirit of Entrepreneurship |
| WES | Warfighter Express Services |
| WFS | Warfighter Family Services |
| WIA | Workforce Investment Act |
| WIC | Women, Infants, and Children |
| WPA | Wagner-Peyser Act |
| YMCA | Young Men's Christian Association |
| TOS | Years of Service |
| YP | Youth Program |
| YRRP | Yellow Ribbon Reintegration Program |

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APPENDIX B: COMMISSION OUTREACH

The Commission has conducted extensive outreach efforts with diverse stakeholders to gain their input and a better understanding of perceptions, concerns, and priorities regarding military pay and compensation programs. In particular, the Commission has met with numerous groups of Service members, veterans, retirees, and their family members to discuss the pays and benefits that support the All-Volunteer Force. In addition, the Commission has conducted outreach efforts through public hearings, town hall meetings, and conversations with representatives from Government Agencies, uniformed services, Military and Veterans Service Organizations, research institutions, and other commercial and not-for-profit organizations, as listed below.

These interactions have helped create a foundation of information from which the Commission will develop recommendations to modernize military pay and compensation programs to

- *ensure the long-term viability of the All-Volunteer Force by sustaining the required human resources of that force during all levels of conflict and economic conditions;*
- *enable the quality of life for members of the Armed Forces and the other uniformed services and their families in a manner that fosters successful recruitment, retention, and careers for members of the Armed Forces and the other uniformed services; and*
- *modernize and achieve fiscal sustainability for the compensation and retirement systems for the Armed Forces and the other uniformed services for the 21st century.¹*

PUBLIC HEARINGS AND TOWN HALL MEETINGS

| <u>Date</u> | <u>Location</u> |
|----------------------|-------------------------------------|
| November 4, 2013 | Public Hearing - Fort Belvoir, VA |
| November 5, 2013 | Public Hearing - Arlington, VA |
| November 13, 2013 | Public Hearing - Arlington, VA |
| December 2, 2013 | Town Hall Meeting - Norfolk, VA |
| December 2-3, 2013 | Public Hearing - Norfolk, VA |
| December 11, 2013 | Town Hall Meeting - Seattle, WA |
| December 11-12, 2013 | Public Hearing - Seattle, WA |
| January 6, 2014 | Town Hall Meeting - San Antonio, TX |
| January 6-7, 2014 | Public Hearing - San Antonio, TX |
| March 25, 2014 | Town Hall Meeting - Carlsbad, CA |
| March 26, 2014 | Public Hearings - San Diego, CA |
| May 22, 2014 | Town Hall - Tampa, FL |

¹ National Defense Authorization Act for FY 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1787 (2013) (as amended by National Defense Authorization Act for FY 2014, Pub. L. No. 113-66, Sec. 1095(b), 127 Stat. 672, 879 (2013)).

MILITARY INSTALLATIONS VISITED

- Fort Belvoir, VA
- Fort Indiantown Gap National Guard Training Center, PA
- Joint Base Lewis-McChord, Seattle, WA
- Joint Base San Antonio-Fort Sam Houston, TX
- Landstuhl Regional Medical Center, Germany
- Marine Corps Base Camp Pendleton, CA
- Marine Corps Base Quantico, VA
- MacDill Air Force Base, Tampa, FL
- Military Entrance Processing Station, Brooklyn, NY
- Naval Air Station, Pensacola, FL
- Naval Base Point Loma, San Diego, CA
- Naval Recruiting Station
 - Chesapeake, VA
 - Hampton Roads, VA
 - San Diego, CA
 - Seattle, WA
- Naval Station Norfolk, VA
- Naval Support Activity Mid-South, Millington, TN
- U.S. Army Garrison Stuttgart (Patch Barracks), Germany
- United States Military Academy, West Point, NY
- United States Naval Academy, Annapolis, MD

UNITED STATES GOVERNMENT ENGAGEMENT

Executive Agencies and Offices

- Executive Office of the President
 - Office of Management and Budget
- Department of Defense
 - Office of the Secretary of Defense
 - Office of the Joint Chiefs of Staff
 - U.S. Army
 - U.S. Marine Corps
 - U.S. Navy
 - U.S. Air Force
 - National Guard Bureau
- Department of Labor
- Department of Health and Human Services
 - Public Health Service
- Department of Veterans Affairs
 - National Cemetery Administration
 - Veterans Benefits Administration
 - Veterans Health Administration
- U.S. Coast Guard
- National Oceanic and Atmospheric Administration
- Office of Personnel Management
- Federal Retirement Thrift Investment Board
- Quadrennial Defense Review Independent Panel

Legislative Bodies and Offices

- U.S. Senate
- U.S. House of Representatives
- Congressional Budget Office
- U.S. Government Accountability Office

FOREIGN MILITARIES

- Australian Defence Force
- Bundeswehr Zentraler Sanitätsdienst (Joint Medical Service),
Federal Republic of Germany
- Joint Medical Command, United Kingdom
- United Kingdom Ministry of Defence

ORGANIZATIONAL ENGAGEMENT

- Air Force Aid Society (AFAS)
- Air Force Association (AFA)
- Air Force Sergeants Association (AFSA)
- American Academy of Actuaries
- American Enterprise Institute (AEI)
- The American Legion
- American Logistics Association (ALA)
- Armed Forces Marketing Council (AFMC)
- Army Emergency Relief (AER)
- Association of the United States Army (AUSA)
- Association of the United States Navy (AUSN)
- Blinded Veterans Association (BVA)
- Blue Cross and Blue Shield of Texas
- Blue Star Families
- Business Executives for National Security (BENS)
- Center for a New American Security (CNAS)
- Center for Naval Analysis (CNA)
- Center for Strategic and Budgetary Assessments (CSBA)
- Center for Strategic and International Studies (CSIS)
- Chief Warrant and Warrant Officers Association, United States Coast Guard (CWOAUSCG)
- Cigna-HealthSpring
- ClearPoint Credit Counseling Solutions (CCCS)
- The Coalition to Save our Military Shopping Benefits
- Commissioned Officers Association (COA) of the United States Public Health Service
- Consumer Financial Protection Bureau (CFPB)
- Disabled American Veterans (DAV)
- Doorways to Dreams (D2D)
- Employee Benefits Research Institute (EBRI)
- Enlisted Association of the National Guard of the United States (EANGUS)
- EverFi
- Fairfax County Retirement Administration Office
- FINRA Investor Education Foundation
- Fisher House Foundation

- Fleet Reserve Association (FRA)
- George Mason University (GMU)
- George Washington University (GWU)
- Gold Star Wives of America (GSW)
- Humana Government Business
- Huron Healthcare
- Institute for Defense Analyses (IDA)
- Iraq and Afghanistan Veterans of America
- KeepYourPromise Alliance
- Lowe Campbell Ewald
- Macho Spouse
- Marine Corps League (MCL)
- Marine Corps Reserve Association (MCRA)
- Military Chaplains Association-United States of America (MCA-USA)
- Military Child Education Coalition (MCEC)
- Military Family Advisory Network (MFAN)
- Military Officers Association of America (MOAA)
- Military Order of the Purple Heart
- The Military Produce Group/The Vectre Corporation
- Military Saves
- Military Spouse Magazine
- Military.com
- MITRE
- National Academy of Public Administration
- National Association for Uniformed Services (NAUS)
- National Association of Counties (NACo)
- National Association of Federally Impacted Schools (NAFIS)
- National Guard Association of the United States (NGAUS)
- National Military Family Association (NMFA)
- National Veterans Transition Services, Inc.
- Naval Enlisted Reserve Association (NERA)
- Navy-Marine Corps Relief Society (NMCRS)
- Non-Commissioned Officers Association (NCOA)
- Pension Benefit Guaranty Corporation (PBGC)
- Prudential Insurance
- Procter & Gamble (P&G)
- RAND
- Red Sox Foundation and Massachusetts General Hospital Home Base Program
- Reserve Officers Association (ROA)
- The Retired Enlisted Association (TREA)
- Scott & White Health Plan (SWHP)
- Sentara Healthcare
- Society for Human Resources Management (SHRM)
- Stimson Center
- Student Veterans of America (SVA)
- TRICARE for Kids Initiative
- Troops to Engineers, San Diego State University
- United Services Automobile Association (USAA)
- United States Army Warrant Officers Association (USAWOA)
- United States Coast Guard Chief Petty Officers Association (USCG CPOA)
- University of San Diego

- US Family Health Plan Alliance
- USMC Life
- Veterans of Foreign Wars (VFW)
- Wounded Warrior Project (WWP)

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